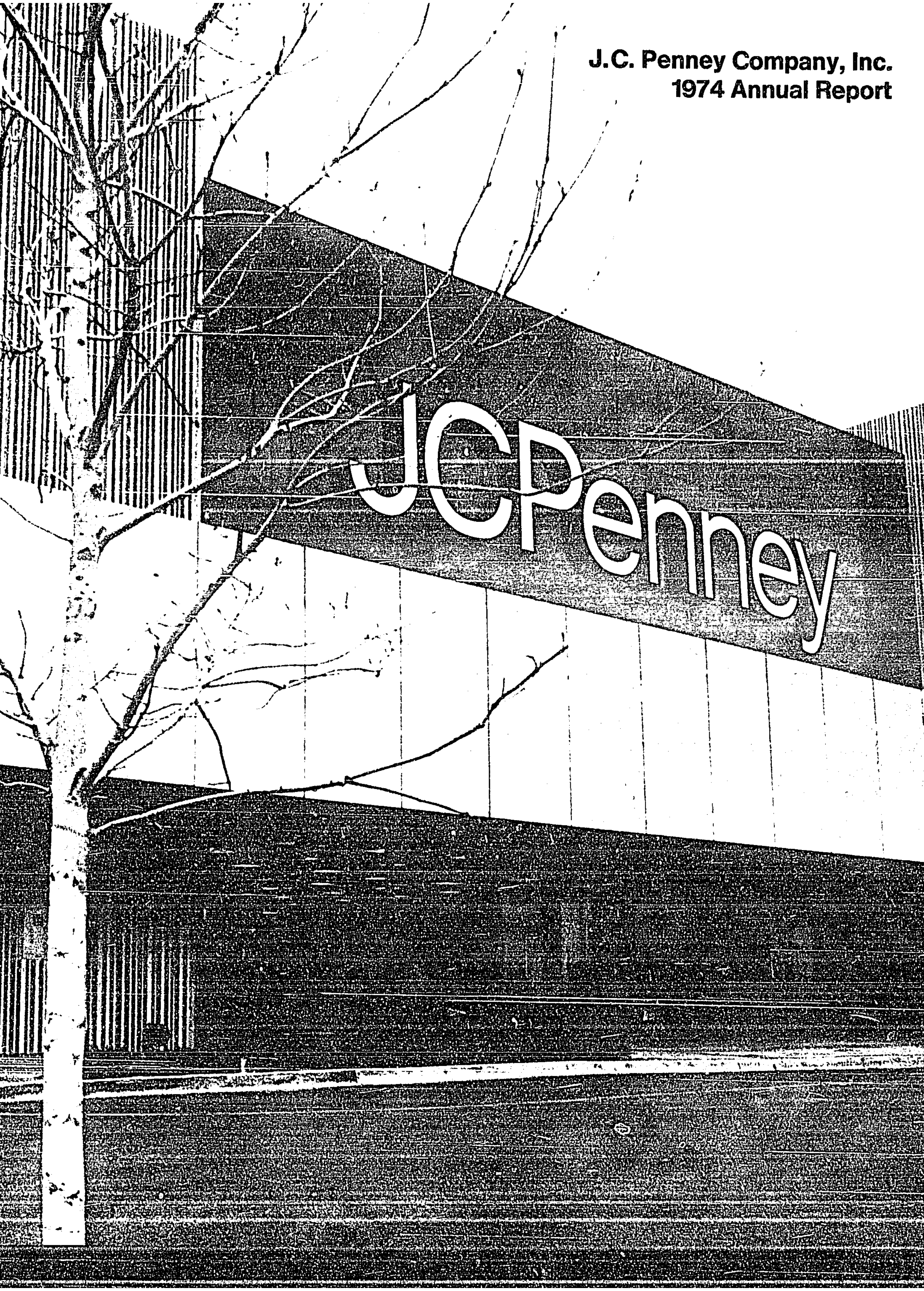
J.C. Penney Company, Inc.
1974 Annual Report



JCPenney

JCPenney is a major retailer of apparel, home, and automotive products, drug store merchandise, food, and insurance, serving consumers principally through stores and catalog operations in the United States and through stores in Belgium and Italy.

Annual Meeting

Our Annual Meeting of Stockholders will be held at 10 a.m. Tuesday, May 20, 1975, at the New York Hilton Hotel, 1335 Avenue of the Americas, New York City. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 14, 1975.

Supplemental Information

Copies of the Company's Form 10-K annual report for 1974 to the Securities and Exchange Commission and consolidated Employer Information Reports EEO-1 for 1974 year end to the United States Equal Employment Opportunity Commission will be made available upon request to:

J. C. Penney Company, Inc.
Public Information
1301 Avenue of the Americas
New York, New York 10019
Phone. (212) 957-6610

Copies of the J. C. Penney Financial Corporation's annual report are available from:

Mr. Phillip G. Rickards
J. C. Penney Financial Corporation
3801 Kennett Pike
P.O. Box 3999
Wilmington, Delaware 19807

Inquiries about your stockholder account should be forwarded to:

J. C. Penney Company, Inc.
Securityholder Services
P.O. Box 3940
Wilmington, Delaware 19807

Table of Contents

J. C. Penney Company, Inc. **1974 Annual Report**

Financial Highlights (In millions)	1974	1973
Sales	$6,935.7	$6,243.7
Per cent increase from prior year	11.1	12.9
Net income*	$ 125.1	$ 185.8
Per cent increase (decrease) from prior year	(32.7)	11.8
Per cent of sales	1.8	3.0
Per cent of stockholders' equity	9.5	16.1
Net income per share—primary*	$ 2.12	$ 3.19
Dividends per share	$ 1.10	$ 1.11
Capital expenditures	$ 262.5	$ 209.6

*Net income for 1974 was reduced by $21.0 million, or 36 cents per share, as a result of the Company's adoption of the last-in, first-out method of inventory valuation for substantially all domestic inventories.

To Our Stockholders

In 1974, a year of severe economic stress, JCPenney suffered a sharp decline in net income. Comparisons with the preceding year's earnings performance became progressively worse with each succeeding quarter, reflecting the country's increasing struggle with inflation and recession.

For the 52 weeks ended January 25, 1975, net income amounted to $125.1 million, or $2.12 per share, compared with $185.8 million, or $3.19 per share, for the prior year. The decline amounted to 32.7 per cent.

Net income for 1974 was reduced by $21.0 million, or 36 cents per share, as a result of the Company's adoption of the last-in, first-out method of inventory valuation for substantially all domestic inventories. The change was made to match costs and revenues more accurately in periods of rising prices.

The regular quarterly dividend was raised one cent per share to 29 cents effective with the May 1, 1974, payment.

Sales for 1974 totaled $6.9 billion, as compared with $6.2 billion in 1973, an increase of 11.1 per cent. The rate of sales gain over the preceding year weakened in the fourth quarter, dropping to 6.8 per cent, or approximately half the rate of gain during the first nine months of the year.

Like many other retailers, we began the all important fourth quarter with higher inventories than desired, and the fall-off in sales aggravated an already difficult problem. We encouraged stores to make aggressive use of clearances to move merchandise. Predictably, the markdowns contributed to the decline in gross profit margin.

Interest expense of $132.8 million was another adverse factor. Higher borrowing levels and interest rates increased our interest expense 48 per cent, or 35 cents per share, for the year.

Finally, the softening in sales together with inflation increased our selling, general, and administrative expenses as a percentage of sales.

In fairness to a year variously described as gloomy, difficult, or grim, at least two bright spots can be noted. Drug stores achieved a profit improvement on a 23.3 per cent sales gain, and Sarma, our Belgian retail operation, moved into the black after reporting losses for several years. Sarma's volume rose 18.7 per cent to $396.6 million.

Profits declined in both full line and soft line stores. Sales meanwhile rose 14.7 per cent and 4.0 per cent, respectively. Of the Company's total sales, full line stores contributed 51.5 per cent, soft line stores 31.0 per cent.

The Treasury stores recorded a loss compared with a small profit in 1973. Sales were up 10 per cent, to $385.0 million. Six new stores were opened during the year—three in the Dallas area and three in the Chicago area.

Total catalog volume increased almost 20 per cent, reaching $573.2 million. Sales through catalog sales centers in stores amounted to $462.8 million; mail order sales of $110.4 million accounted for the remainder.

During the year, we opened our third catalog distribution center, increasing capacity by about 50 per cent. This center, in Columbus, Ohio, occupies two million square feet, and was phased into operation a year earlier than originally scheduled. Two additional catalog centers near Kansas City, Kansas, and Reno, Nevada, have been announced. They will facilitate westward expansion of catalog operations.

Supermarkets, which are located primarily in department and discount stores operated by other retailers, showed little change in profitability in 1974. Sales were up approximately 5 per cent.

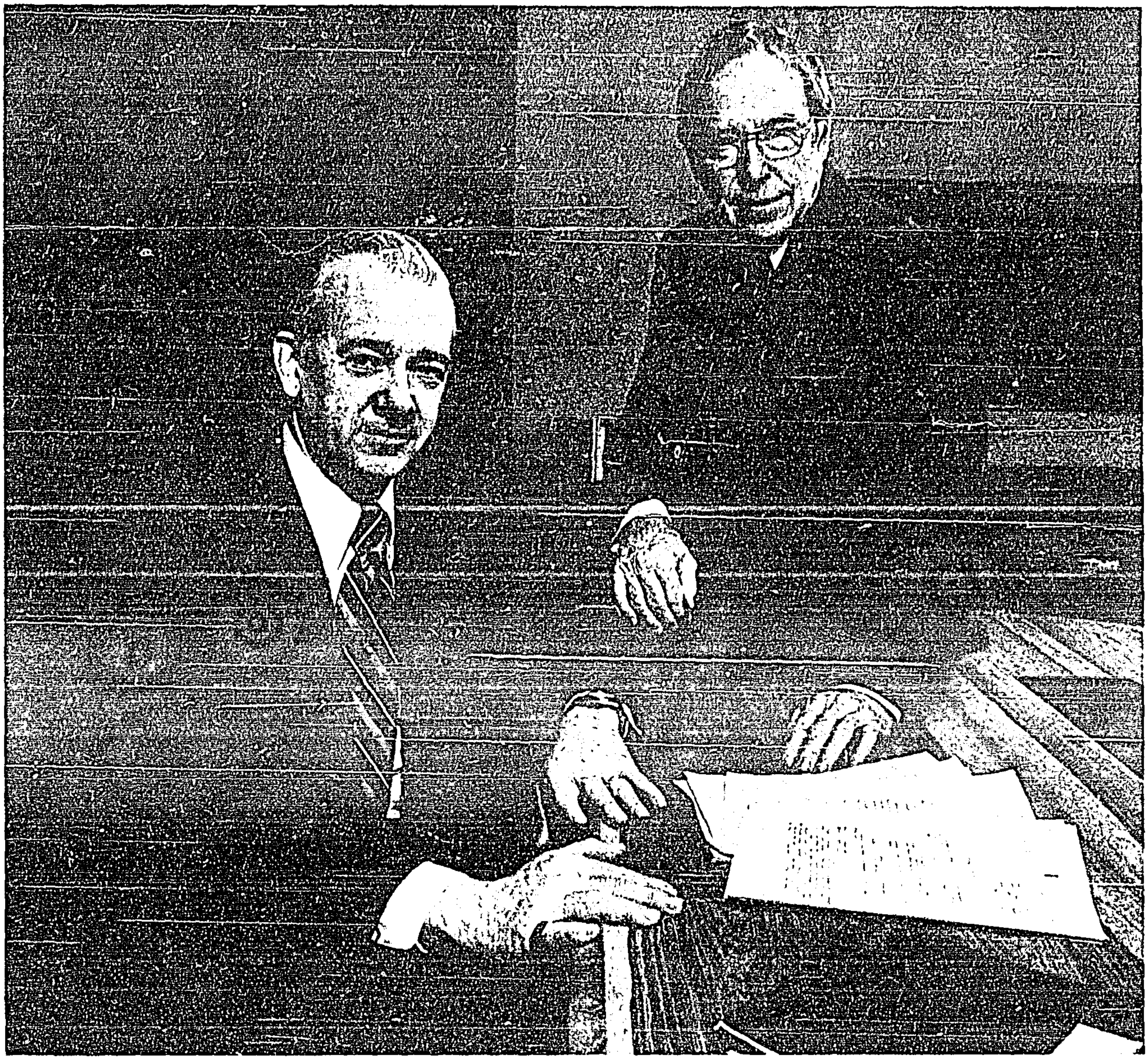
Our insurance companies contributed $9.7 million to net income in 1974, compared with $9.9 million in 1973. Improved results in life and health operations were offset by poorer underwriting results from our automobile and homeowner insurance business.

In 1974, we opened 27 JCPenney stores, 18 drug stores, two supermarkets, and one store in Europe in addition to the six The Treasury stores previously mentioned. The net addition to store space was approximately 5 million gross square feet.

We anticipate adding an equivalent amount of store space in 1975. Planned are 34 JCPenney stores, 20 drug stores, and at least one store in Europe. Our 1975 expansion program for The Treasury stores was completed in March when we opened six stores in the San Francisco Bay area.

Total capital expenditures this year are expected to approximate the 1974 level of $262.5 million.

Our analysis of the most productive avenues for growth indicates the continuing need for a flexible approach in our planning. Expected changes in lifestyles and spending patterns will affect what people buy, how they buy it, and where they buy it. In addition, economic conditions and environmental regulations may slow the development of regional shopping centers.



Donald V. Seibert, Chairman of the Board, and Jack B. Jackson, President.

We believe the Company is well positioned to adapt to a changing retail environment. Our various sizes and types of stores provide us with many options for expansion in small and medium size markets as well as in metropolitan areas. Furthermore, catalog retailing and consumer financial services, in which we are firmly established, offer broad avenues for growth.

Improving the productivity of our investment in existing store space and in inventories is a major challenge and opportunity in 1975. Our strategy for increasing turnover begins with a sound marketing plan for determining what customers need and want in today's economy and providing it at the local store level at competitive prices. Throughout the Company, every effort is being made to economize and increase operating efficiencies.

Concerned as we are with today's economic realities, we are determined not to allow any setback to our societal and environmental goals, which, as a matter of policy, we have built into our day-to-day business operations. Our commitment to equal opportunity remains unchanged—the appropriate representation of minorities and women across all levels of employment. Statistical data on our performance in this area are reported on page 23 of this report.

In 1974, we bought $10.7 million of merchandise and services from minority suppliers. In 1975, we plan to have Company representatives on 21 regional councils of the National Minority Purchasing Council to help us seek out and develop minority business. Our accounts with minority-owned banks had total average balances of $285,000 during the year, and at year end our lines of credit with these banks amounted to $1.2 million.

Our program for recovering scrap paper, which was extended to all of our five regions last year, is eliciting increased store participation. Sales of corrugated paper—despite price fluctuations—have, in fact, become a source of cost savings to some of our larger facilities.

Many of the economic factors that affected retailers in 1974 will remain problems in 1975. Consequently, sales gains in the first two quarters will probably follow the trend we saw in the fourth quarter last year. We expect net income to be less than the 1974 level in the first half.

We are more optimistic about the second half and, in particular, the fourth quarter. Favorable factors could include an easing in price increases, reduced clearance markdowns, and a reduction in interest rates.

Some of our wholesale costs have already declined, and additional price decreases are expected to offset price increases in other categories. Reductions in piece goods and men's clothing costs have already been passed on to our customers.

Markdowns were unusually high in 1974 due largely to heavy inventories. At year end, however, inventories were in line with sales expectations for the first quarter of 1975.

A year ago when this letter stated that "we are prepared to make the most of almost any economic climate," we did not realize how soon, or to what extent, we were to be put to the test. Our strategy, as already indicated, has been to concentrate our energies on doing the best possible job of being in business today. In succeeding pages of this report, we discuss our approach more fully.

We do not, of course, intend to place in jeopardy certain aspects of our future for a more profitable today. Our aim is to optimize profit—to attain the highest profit compatible with our commitment to the Company's growth and the welfare of our Penney people.

In October of last year, Donald V. Seibert, formerly Vice President and Director of Corporate Planning and Development, succeeded William M. Batten as Chairman of the Board and Chief Executive Officer.

Gavin K. MacBain, Chairman of the Board of Bristol-Myers Company, and Baldwin L. Humm, Senior Vice President and Director of Merchandise of JCPenney, were elected to the Board of Directors in August 1974.

Four Senior Vice Presidents were elected last year. In addition to Mr. Humm, they are Kenneth S. Axelson, Director of Finance and Administration, Charles T. Stewart, General Counsel and Director of Public Affairs, and George S. Stewart, Director of Corporate Facilities and Services.

At this point in our report, in good years and bad, we thank our JCPenney people for their help. This year we especially want to acknowledge the service of William K. Barry, formerly Vice President and Director of Merchandise and a Company director, who retired in 1974.

Finally, we would like to pay special tribute to the contribution of William M. Batten, who retired in 1974 after serving as Chief Executive Officer of the Company for 16 years, first as President and then as Chairman. We are indeed fortunate that he continues as a director.

Donald V. Seibert

Donald V. Seibert
Chairman of the Board

Jack B. Jackson

Jack B. Jackson
President

Being in Business Today . . . And Tomorrow

"During the recent years of dynamic growth and development, the planning and operation of new activities and facilities have properly demanded a great share of our available management hours. This has been necessary to diminish the start-up losses and shorten the period required for them to become self-supporting.

Now it's clear that the economy and other outside factors also affect our management of time, both as individuals and as a Company. This is happening to a greater extent than at any time in recent history. Today we must re-order our priorities in such a manner that the most profitable management of existing facilities receives an increased share of our highest capabilities.

This does not mean any diminished concern for the future. Rather, by concentrating our efforts on being in business today, we are protecting our plans and priorities for tomorrow."

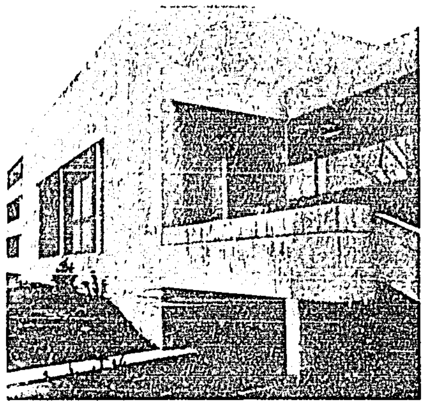
From the remarks of
Donald V. Seibert, Chairman of the Board,
at the meeting of the Company's District Managers,
December 3, 1974

The challenge of our business today is to make the most of all our operations.

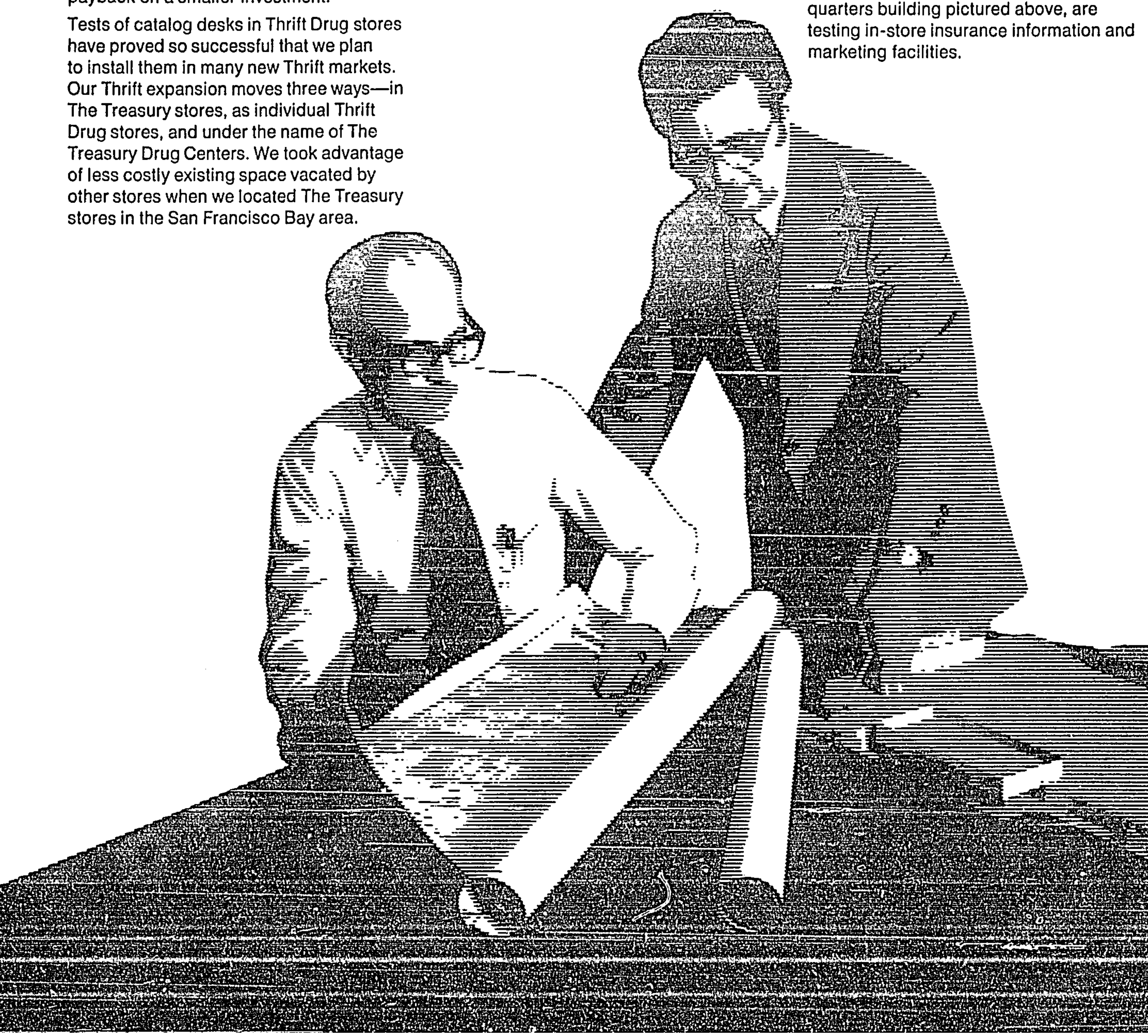
Our store planners have intensified their efforts to optimize existing as well as projected store space. Our new full line stores as a result are making more effective use of cubic space. The Merrillville store, near Gary, Indiana, pictured on the cover, demonstrates what happens when we build a store one prototype size smaller than its merchandise assortment. In its first year, this store is achieving sales productivity at about a third year level.

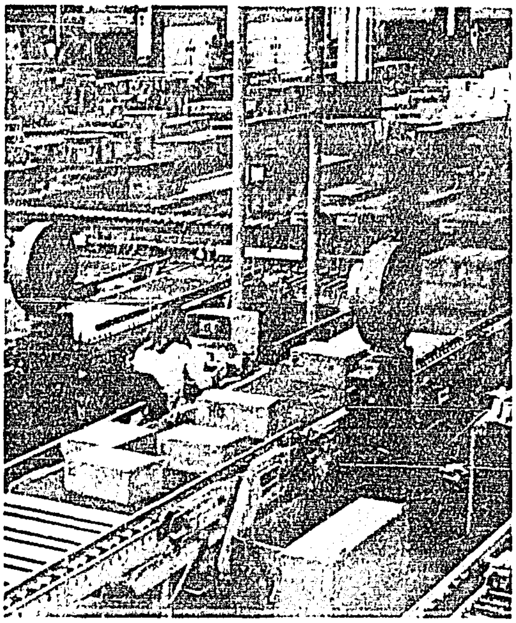
Because of our emphasis on cost savings and increased profitability, we are continuing our expansion program in smaller markets with specially designed stores. Stores in these markets, traditional areas of strength for us, provide a quicker payback on a smaller investment.

Tests of catalog desks in Thrift Drug stores have proved so successful that we plan to install them in many new Thrift markets. Our Thrift expansion moves three ways—in The Treasury stores, as individual Thrift Drug stores, and under the name of The Treasury Drug Centers. We took advantage of less costly existing space vacated by other stores when we located The Treasury stores in the San Francisco Bay area.

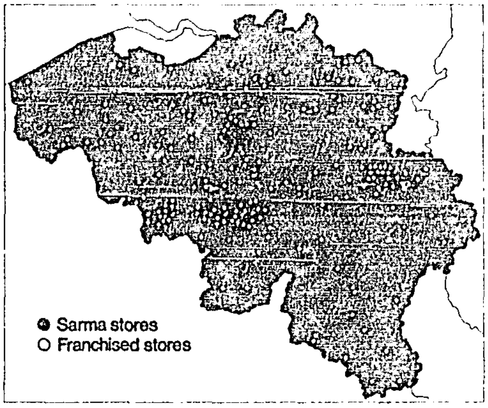


Consumer financial services, which began with accident and health insurance mailings to Penney customers in 1967, has plenty of room for growth. For example, the Educator & Executive companies, which moved last year into the new headquarters building pictured above, are testing in-store insurance information and marketing facilities.

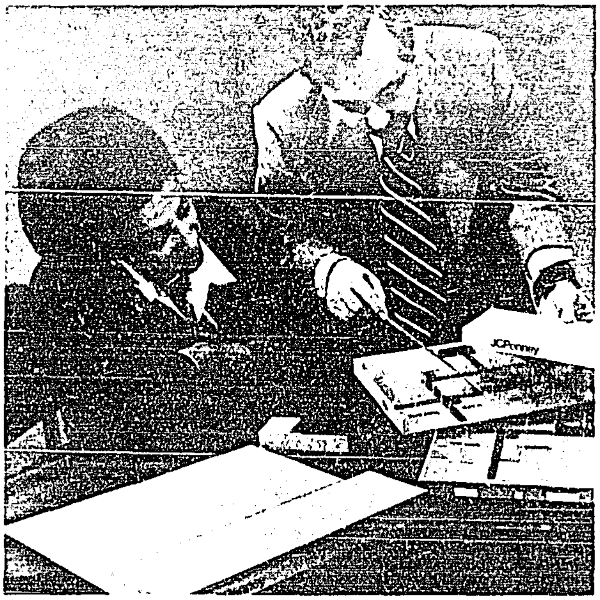




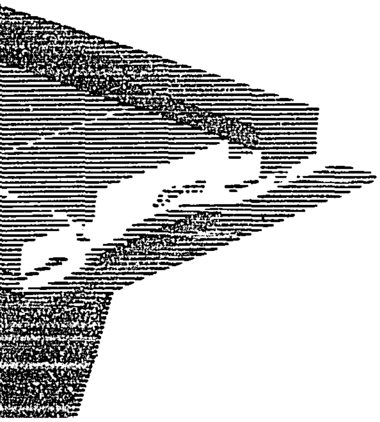
Optimizing the productivity potential of our catalog operation required more space in place. Our third catalog distribution center, which opened last year in Columbus, Ohio, enabled us to reduce delivery time on catalog merchandise in a 16 state area, in some cases as much as 48 hours.



Arriving at a successful formula for our Belgian retailing venture required skillful, patient, and innovative management. This operation moved into the black in 1974.



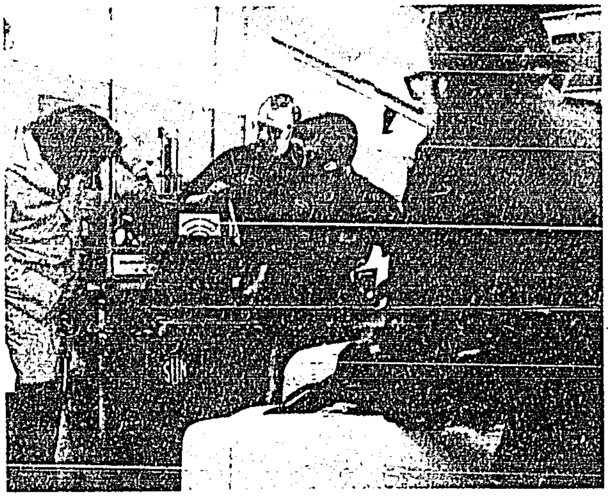
Store development associates in our marketing *department work closely with our merchandise* department to design store fixtures that enhance merchandise presentation and contribute to the optimal use of space.



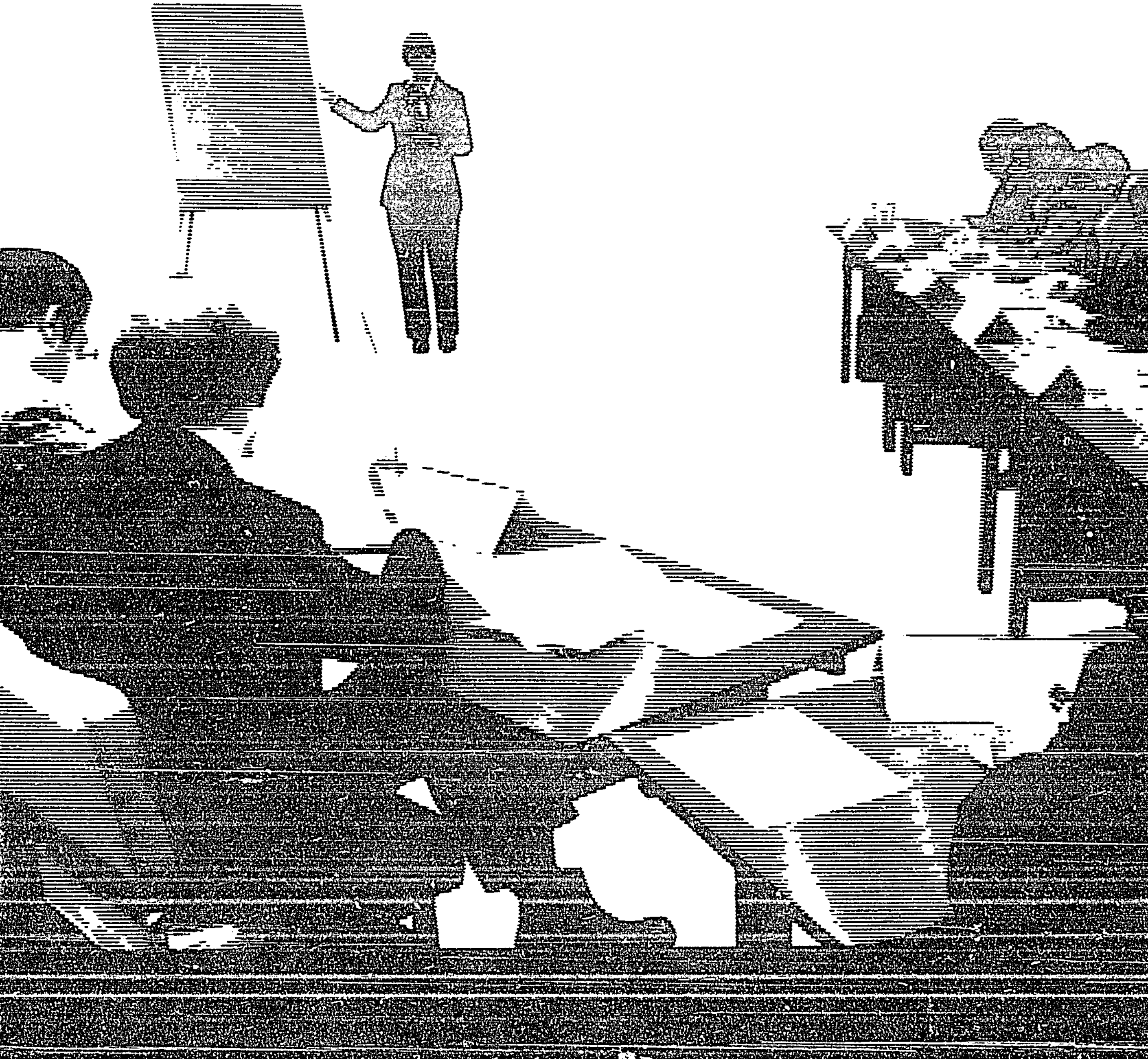
The Company's progress today and in the future depends on Penney people.

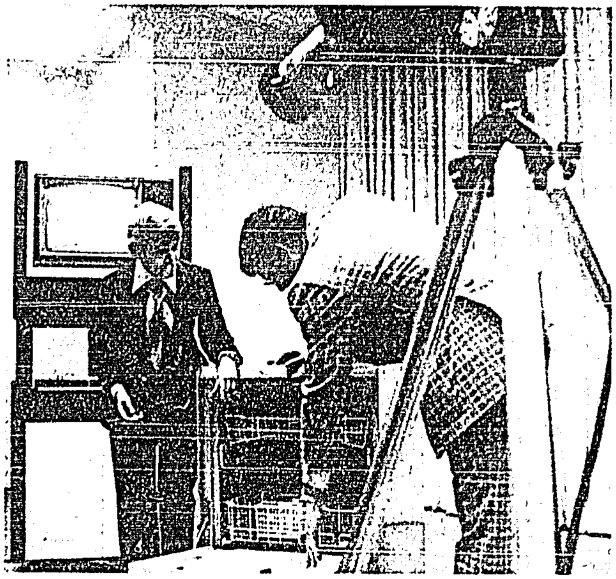
The quality of associates' work determines how well the customer will be served and, therefore, greatly influences sales and profits.

Since the Company was founded in 1902, our policy has been to promote from within. Preparing and motivating people for increasing responsibilities is an integral part of our day-to-day activities.

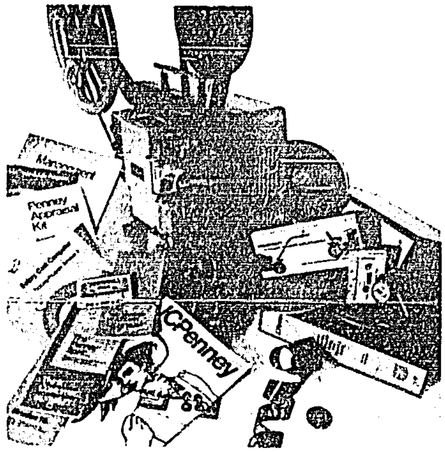


Training ranges from the use of instructional materials designed for on-the-job learning, to job rotation, to classroom and seminar activities.

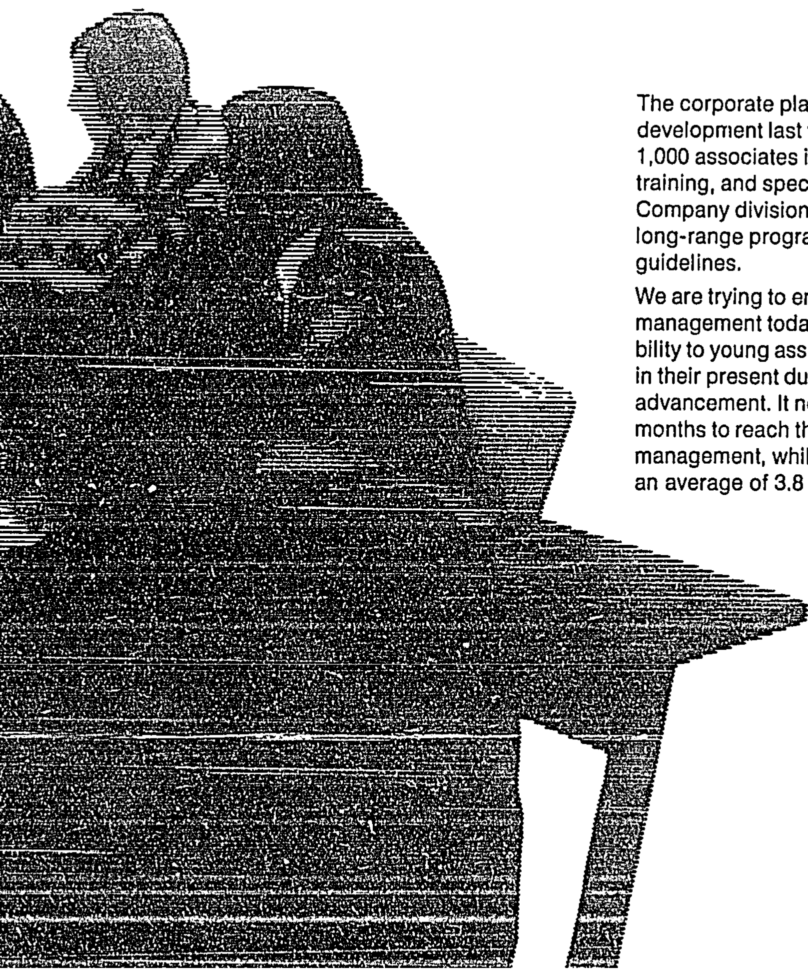




At our regional training centers in Chicago, Atlanta, and Buena Park, California, Penney people take advanced courses in selling, servicing, and the management process. In 1974, 4,010 associates participated in 28 different regional training programs.



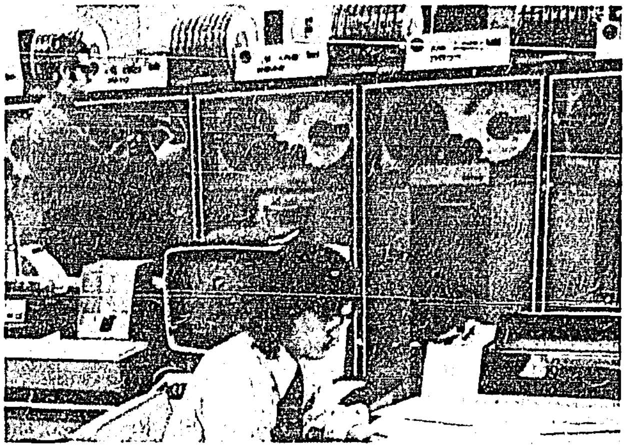
Communication plays a vital role in developing people by helping them to adapt their activities to evolving corporate goals and programs.



The corporate plan for management development last year involved more than 1,000 associates in managerial, position training, and special skills programs. Each Company division is developing its own long-range program within corporate guidelines.

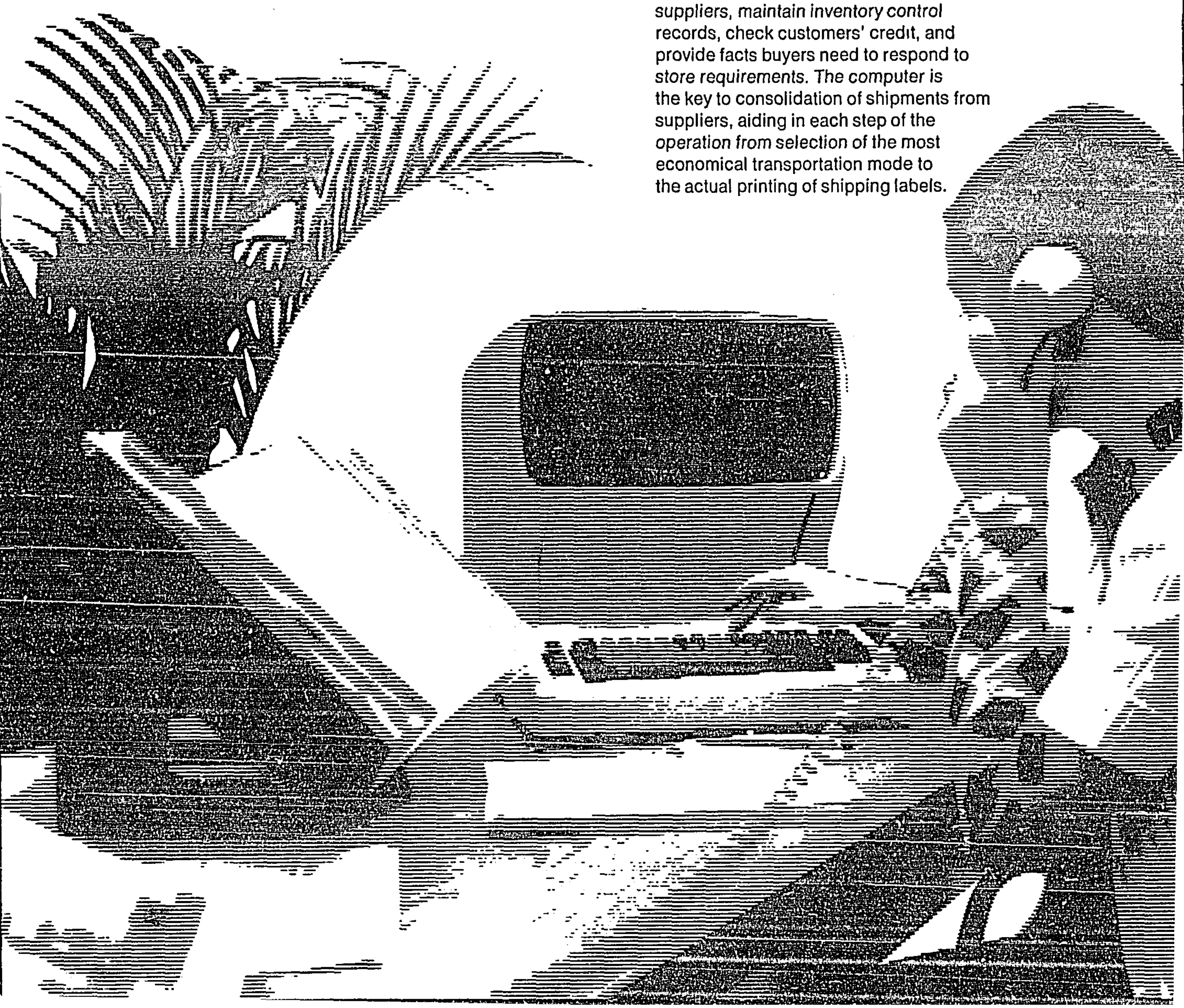
We are trying to encourage tomorrow's management today by giving early responsibility to young associates who are proficient in their present duties and prepared for advancement. It now takes from 12 to 18 months to reach the first level of store management, while a decade ago it took an average of 3.8 years.

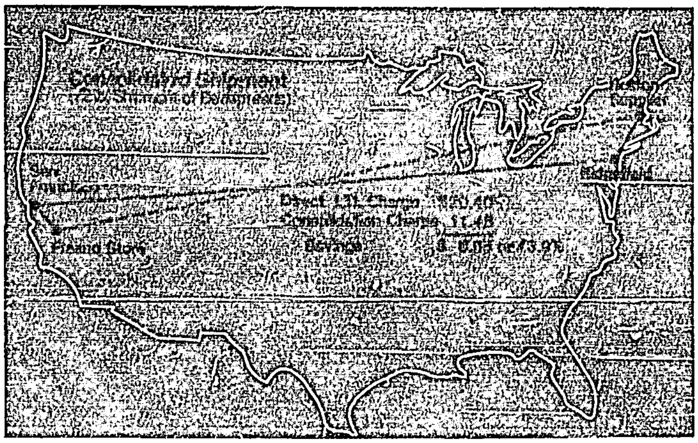
Our investment in technology is helping us improve the efficiency and profitability of our operations.

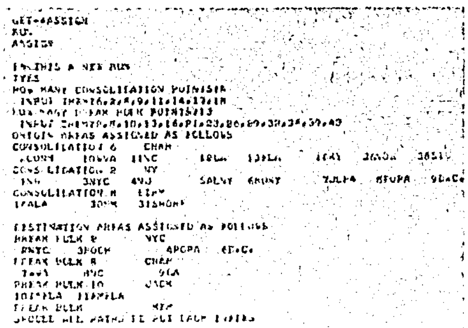


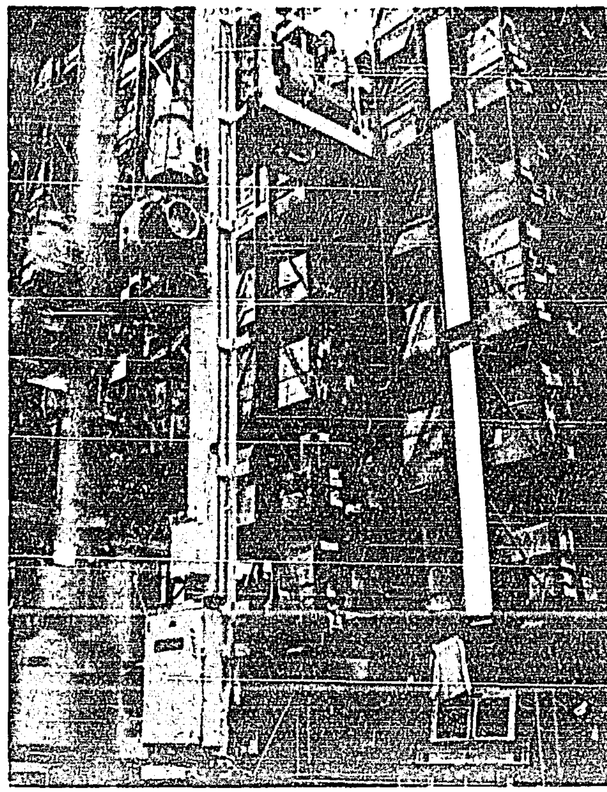
The computer has become our most pervasive tool, allowing quick access to information required for intelligent decision making.

Computer systems generate orders for suppliers, maintain inventory control records, check customers' credit, and provide facts buyers need to respond to store requirements. The computer is the key to consolidation of shipments from suppliers, aiding in each step of the operation from selection of the most economical transportation mode to the actual printing of shipping labels.





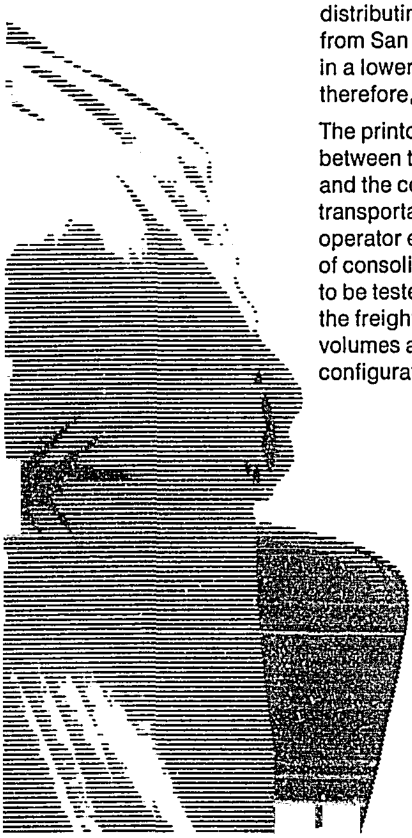




The computer compares the cost of a direct routing from a Boston supplier to the Fresno store versus the cost of combining the shipment with other west-bound rail shipments at our Ridgefield, New Jersey, consolidation facility and distributing the small Fresno shipment from San Francisco. Consolidation results in a lower freight expense and is, therefore, the routing selected.

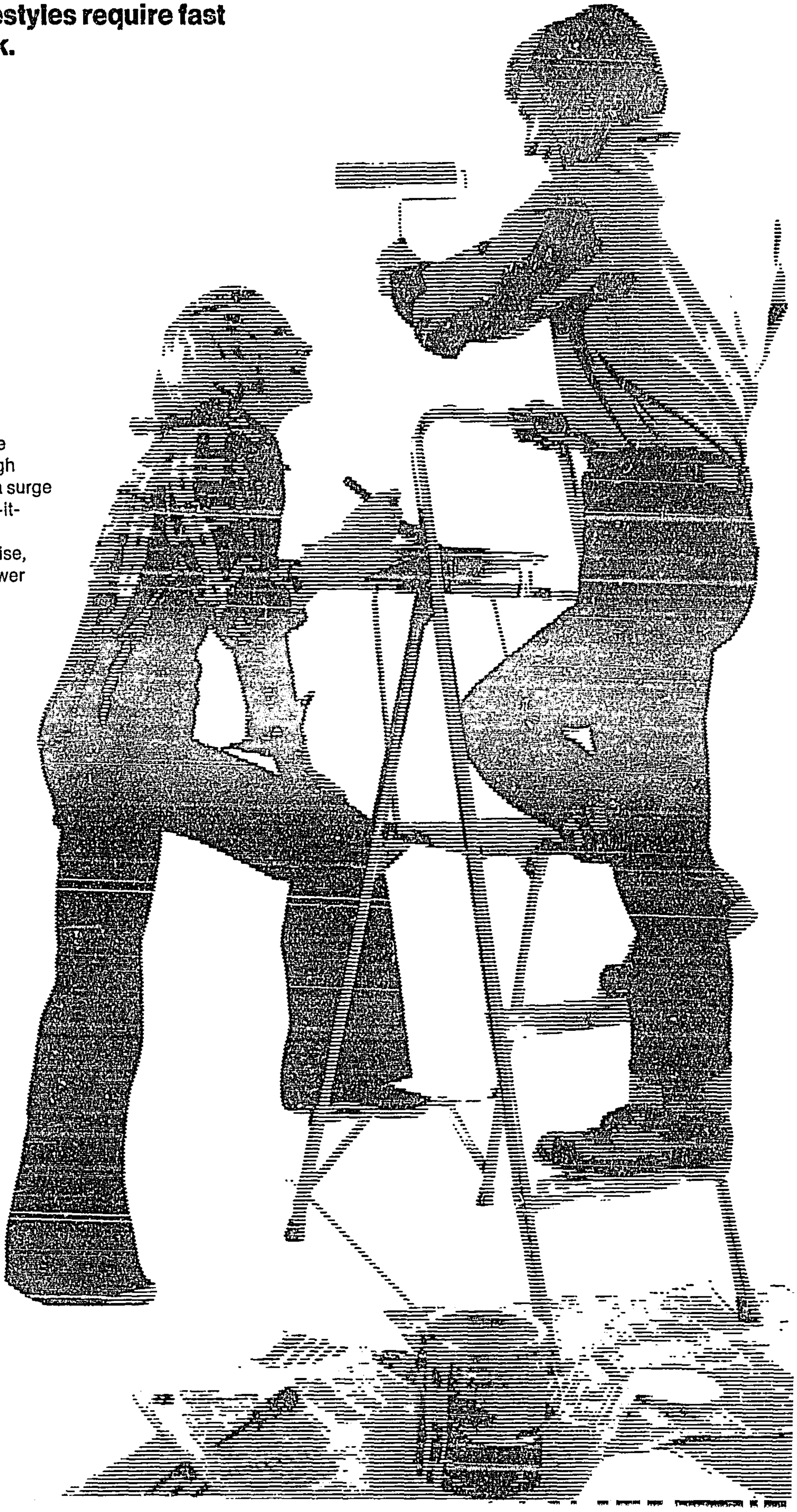
The printout illustrates the interplay between the computer terminal operator and the computer program for our transportation network model. The operator enters the number and location of consolidation and break bulk points to be tested, and the computer calculates the freight costs for the economic volumes associated with the network configuration being tested.

Catalog provides us with a rare opportunity for automation. Being latecomers in this business, we have been able to automate from the beginning without regard to manual systems. In our new catalog center in Columbus, merchandise is selected automatically and handled by conveyor systems to an extent which makes possible the processing of 125,000 orders in 24 hours. Orders are transmitted via computer directly from stores to the catalog distribution center.



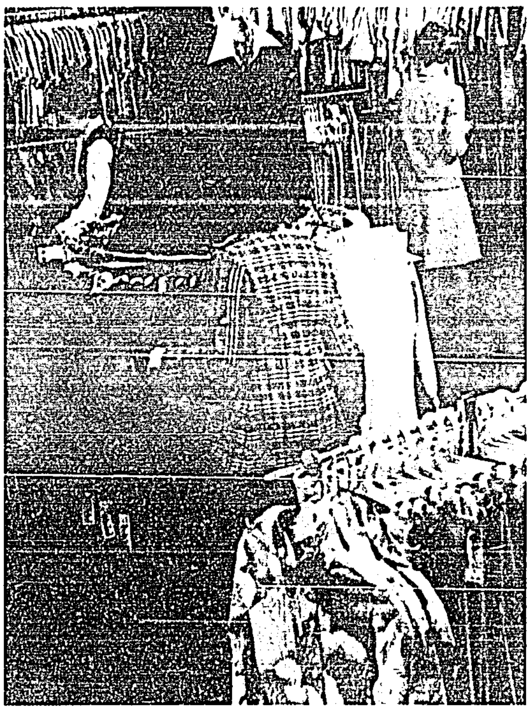
The computer's time-saving function enables us to serve customers better. By calling up displays of computer-stored information, 23 associates in our insurance operation are able to handle 8,000 to 11,000 calls a week from present and prospective policyholders.

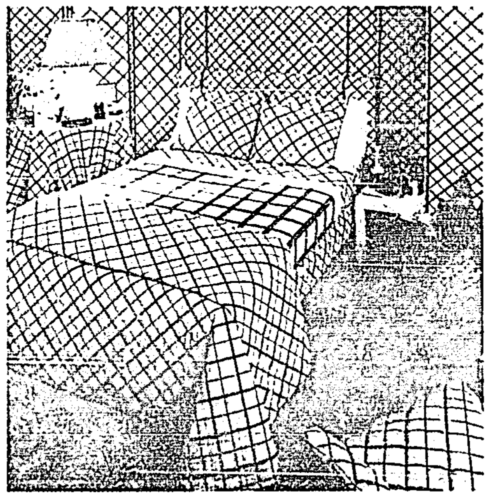
Changing needs and lifestyles require fast merchandising footwork.



Trends can begin anywhere; many are triggered by economic conditions. High labor costs and inflation have fueled a surge of interest in home improvements, do-it-yourself style. This trend is having an impact on a wide variety of merchandise, ranging from building materials to power tools, from paint to work apparel.

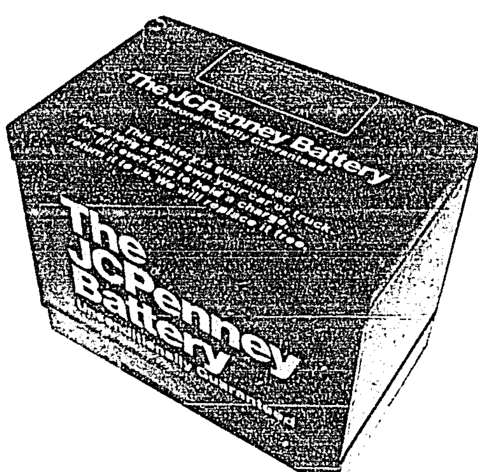
The trend toward multi-unit dwellings affects our furniture and appliance assortments. The photograph of the Penney-furnished apartment is from the editorial pages of Apartment Life magazine.





When new merchandise derives from consumer needs and wants, the chances of success are greatly enhanced. Interior decorating with sheets looked like a trend. Our market research confirmed it, and so we broadened our lines accordingly.

A growing component of the Penney market is the single consumer. There are 40 million singles today and there will be 46 million by 1985. Sixty per cent are women, and the single woman spends 50 per cent more for apparel than the married woman. We have taken steps to be certain that women obtain Penney credit accounts and insurance on the same basis as men.



The JCPenney battery was developed to satisfy the response we got from our consumer research into batteries. Our customers wanted a battery with real starting power and a long life. The JCPenney battery is unconditionally guaranteed to last as long as the customer owns the car in which it is installed.

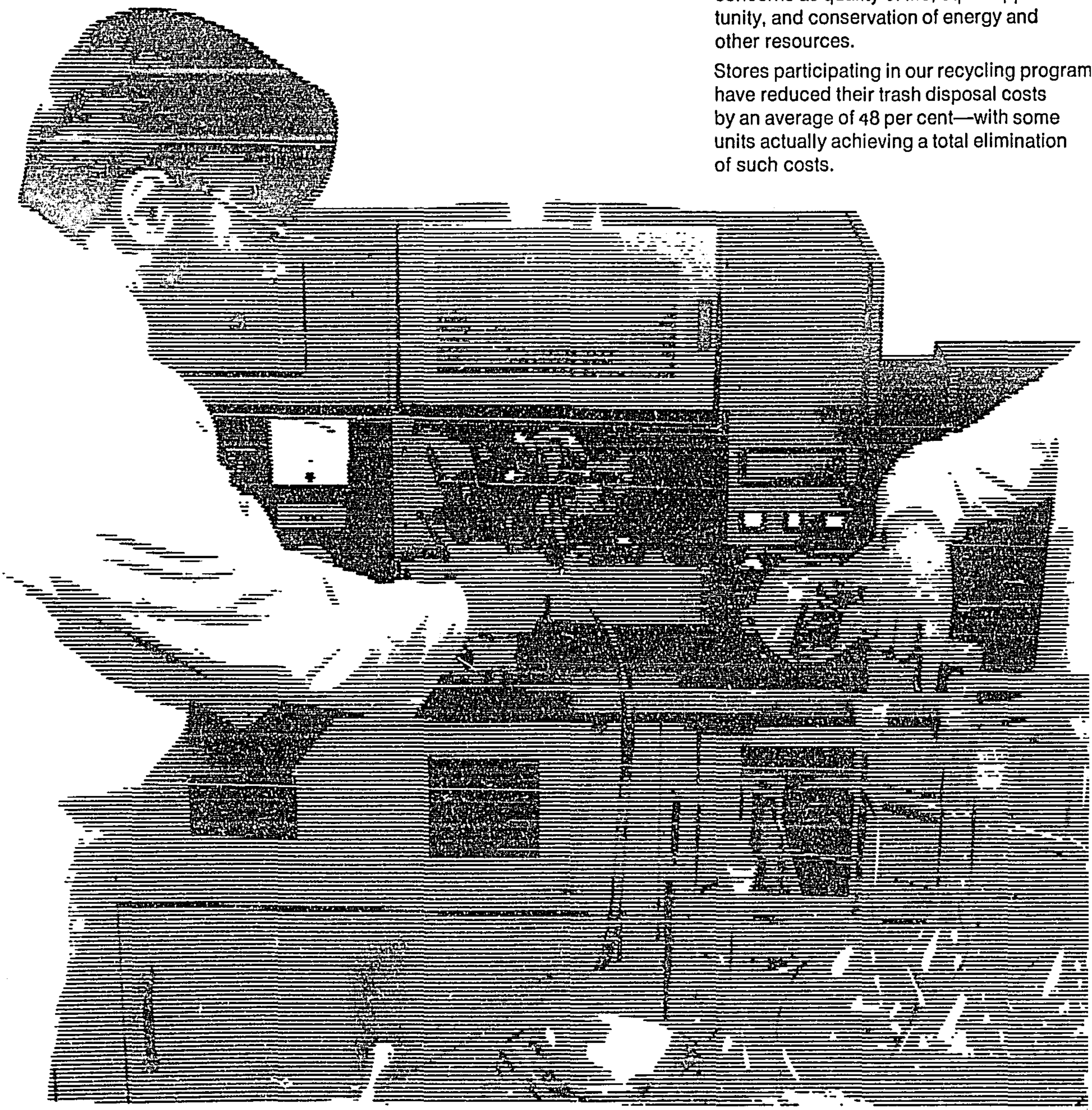
In our business today, we are assuming increasing responsibilities.

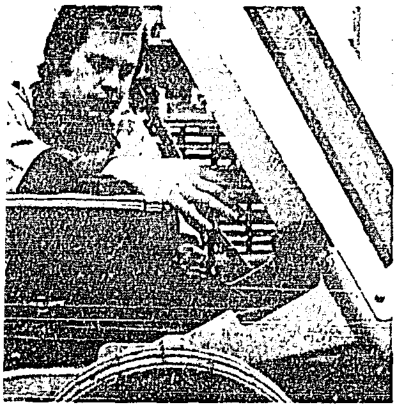
As a retailer, our obvious responsibilities are to provide safe, quality merchandise, good service, fair credit, and satisfaction when something goes wrong.

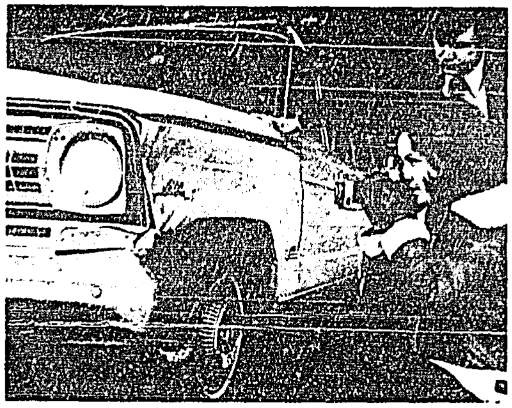
Our Merchandise Testing Center, which has been in operation for over 40 years, occupies nearly two full floors of testing facilities in the central office in New York City and a 200-acre test site in East Lyme, Connecticut. More than 100,000 tests were conducted last year on actual and potential JCPenney merchandise. The Center was also instrumental in resolving cases in which the safety of Penney merchandise was in question; in several instances last year this involved a voluntary recall of merchandise by the Company.

Beyond traditional responsibilities, we are endeavoring to advance such national concerns as quality of life, equal opportunity, and conservation of energy and other resources.

Stores participating in our recycling program have reduced their trash disposal costs by an average of 48 per cent—with some units actually achieving a total elimination of such costs.

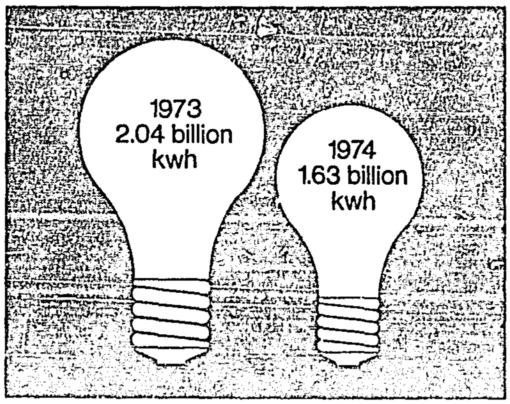






As an added convenience to our automobile insurance policyholders, we maintain drive-in claims facilities in several cities. Adjusters survey the damages and prepare cost estimates on the spot.

JCPenney's own product service facilities now serve markets representing 85 per cent of our unit sales volume, with the balance handled by contract service organizations.



Energy conservation is a classic demonstration of the link between societal concerns and profit. As we save energy, we also save money. Last year our stores alone reduced electrical consumption by 410 million kilowatt-hours (kwh), enough to serve the needs of the city of Rochester, Minnesota, for one year.

In 1974, we formalized a program of dialogues with consumers on subjects such as credit and product service. These dialogues are conducted in our stores by store managers aided by representatives of our Consumer Affairs department. This department now includes a resident consumer advocate who makes certain the consumer's viewpoint is a component of Company decision-making.

Technicians use the atomic absorption spectrophotometer to detect the presence of metal substances in dinnerware glazes and finishes.

1974 Review of Operations and Financial Information

Sales in 1974 were $6.9 billion, an increase of 11.1 per cent over the $6.2 billion in 1973. Operating divisions contributed to sales as follows:

(In millions)	1974	1973	Per cent increase: All units	Per cent increase: Comparative units
JCPenney stores				
Full line	$3,569.8	$3,111.2	14.7	8.4
Soft line	2,150.4	2,067.2	4.0	5.6
Total	5,720.2	5,178.4	10.5	7.3
The Treasury stores	385.0	349.9	10.0	1.1
European operations	412.7	348.5	18.4	10.9
Drug stores	191.0	154.9	23.3	13.5
Supermarkets	116.4	110.9	4.9	3.2
Mail order	110.4	101.1	9.1	—
Total sales	$6,935.7	$6,243.7	11.1	7.0

Catalog merchandise sold through stores is included in the sales of those stores. Drug and grocery sales through JCPenney and Treasury stores are included in the sales of the latter divisions. Food sales by European operations are included in that division's sales. Comparative units are those in operation throughout both 1974 and 1973. For further analyses of sales, see the discussion below of each division's operations and the Ten Year Operations Summary on page 30.

The table below lists unaudited sales for each quarter:

(In millions)	1974	1973	Per cent increase
First quarter	$1,453.1	$1,299.6	11.8
Second quarter	1,581.4	1,385.3	14.2
Third quarter	1,766.1	1,558.9	13.3
Fourth quarter	2,135.1	1,999.9	6.8
Year	$6,935.7	$6,243.7	11.1

In the 10 years ended January 25, 1975, sales have grown at the compound annual rate of 12.4 per cent.

Net income was $125.1 million in 1974, a decrease of 32.7 per cent from the $185.8 million earned in 1973. In 1974, the Company adopted the last-in, first-out method of inventory valuation for substantially all domestic inventories. The change was made to match costs and revenues more accurately in periods of rising prices. The adoption of the last-in, first-out method reduced net income in 1974 by $21.0 million. The pro forma effect on 1973 net income is not presented because the effect of the change in accounting is not determinable.

Income before income taxes and other unconsolidated subsidiaries was $218.4 million in 1974, a decrease of 36.9 per cent from the $346.0 million in 1973.

Net income per share decreased in 1974 as shown in the following table, which sets forth the unaudited amounts for each quarter:

	1974	1973	Decrease
Primary			
First quarter	$ .39	$ .44	$ .05
Second quarter	.52	.60	.08
Third quarter	.61	.84	.23
Fourth quarter	.60	1.31	.71
Year	$2.12	$3.19	$1.07
Fully diluted—year	$2.12	$3.18	$1.06

Previously reported net income per share for the first three quarters of 1974 has been restated as shown to reflect the adoption of the last-in, first-out method. This change reduced net income per share for the full year by 36 cents.

In the 10 years ended January 25, 1975, primary net income per share has increased at the compound annual rate of 4.7 per cent.

Net income per share is based on the weighted average number of shares outstanding during each period. Primary net income per share assumes conversion of the 6 per cent Eurodollar convertible debentures and exercise of outstanding stock options, and fully diluted net income per share additionally assumes conversion of the 4½ per cent Eurodollar convertible debentures.

The quarterly dividend declared per share was as follows:

	1974	1973
First quarter	$ .29	$ .27
Second quarter	.29	.28
Third quarter	.29	.28
Fourth quarter	.29	.28
Year	$1.16	$1.11

Dividends declared were 54.7 per cent of net income per share in 1974. Dividends declared totaled $68.4 million in 1974 and $64.5 million in 1973.

Income tax expense was as follows:

(In millions)	1974	1973
Current		
Federal	$ 59.8	$111.1
State and local	10.5	16.1
	70.3	127.2
Deferred		
Federal	31.1	39.1
State and local	1.8	4.0
	32.9	43.1
Total income tax expense	$103.2	$170.3
Effective tax rate on income before income taxes and other unconsolidated subsidiaries	47.3%	49.2%

Deferred taxes arise principally from deferred gross profit on the balances due from installment sales and accelerated depreciation.

The effective tax rate differed from the Federal income tax statutory rate of 48 per cent as detailed below:

	1974		1973	
	Amount (In millions)	Per cent of pre-tax income	Amount (In millions)	Per cent of pre-tax income
Federal income tax at 48 per cent rate	$104.8	48.0	$166.1	48.0
Investment credits	(8.6)	(3.9)	(5.8)	(1.7)
State and local income taxes, less Federal income tax benefit	6.5	3.0	10.1	2.9
Other	.5	.2	(.1)	—
Total income tax expense	$103.2	47.3	$170.3	49.2

Taxes other than income taxes, over half of which are payroll taxes, totaled $124.4 million in 1974, up from $108.1 million in 1973.

Retail units and net selling space increased as follows:

	1974		1973	
	Number of units	Net selling space (000 sq. ft.)	Number of units	Net selling space (000 sq. ft.)
Additions				
JCPenney stores				
Full line	21	2,156	24	2,309
Soft line	6	105	3	29
The Treasury stores	6	689	2	234
European operations	1	93	3	126
Drug stores	18	204	24	242
Supermarkets	2	35	2	35
Expansions and other	—	39	—	89
Total	54	3,321	58	3,064
Closings				
JCPenney soft line stores				
Relocations	12	238	21	422
Other	8	252	13	438
Total	20	490	34	860
European operations	4	28	6	37
Drug stores	2	8	1	3
Supermarkets	2	27	1	11
Total	28	553	42	911
Net increase	26	2,768	16	2,153
Total in operation at end of year	2,039	54,481	2,013	51,713

In addition, the Company opened a two million square foot catalog distribution center in Columbus, Ohio, in August 1974.

A listing of 1974 store openings appears on page 31.
A history of retail units and net selling space is included in the Ten Year Operations Summary on page 30.

JCPenney full line stores, which average 88,000 square feet of net selling space, are located primarily in major shopping centers and sell broad lines of apparel, home, and automotive merchandise. Most of these stores have a catalog sales center. The Company's expansion during the 1960's and 1970's has been primarily in full line stores.

Full line stores' profit declined in 1974 due to decreased gross margin and increased expense ratios.

JCPenney soft line stores, which average 12,000 square feet of net selling space, sell principally apparel and household textile merchandise. Most of these stores have a catalog sales center. Almost all soft line stores are over 10 years old, and the average store has been in operation about 40 years. During the past 10 years, the Company has closed more than 300 soft line stores, the majority of which were replaced by full line stores in the same markets.

Soft line stores' profit declined in 1974 due to decreased gross margin and increased expense ratios.

The Treasury stores average 119,000 square feet of net selling space and offer broad lines of general merchandise, apparel, food, and health and beauty aid products. Almost all of these discount type stores include a grocery department of approximately 18,000 square feet, a pharmacy, and an automotive center.

The Treasury recorded a loss in 1974, compared with a small profit in the prior year. The deterioration was due to decreased gross margin and increased expense ratios.

European operations consist of stores in Belgium and Italy.

In Belgium, 82 stores, operating under the name Sarma, sell food, general merchandise, and apparel. These stores average 21,000 square feet of net selling space. Belgian operations also include sales of $147 million to franchised stores, which numbered 211 at year end. Food sales represented 58 per cent of total volume in 1974.

In Italy, four stores, operating under the Penney name, offer principally apparel and household textile merchandise, with an average of 47,000 square feet of net selling space.

The following table shows a breakdown of European sales, which exclude value added taxes:

(In millions)	1974	1973	Per cent increase
Belgium	$396.6	$334.0	18.7
Italy	16.1	14.5	11.0
Total	$412.7	$348.5	18.4

In local currencies, sales increased 19.3 per cent in Belgium and 21.4 per cent in Italy.

European operations broke even in 1974, showing substantial improvement over the prior year. This improvement was due to Belgian operations, which became profitable in 1974 as a result of increased sales and reduced expense ratios.

Net assets of European operations were $59.3 million at year end 1974, compared with $58.2 million at year end 1973.

Drug stores are operated by Thrift Drug under its name and under the name of The Treasury Drug Center, which has been designated for use in selected markets.

The Company's drug stores, which average 6,800 square feet of net selling space, offer prescription drugs, health and beauty aid products, and other drug store type merchandise, with prescription drugs accounting for approximately 22 per cent of 1974 sales.

Drug stores' profit and profit margin increased in 1974, principally as a result of increased sales.

Supermarkets are located primarily in department and discount stores operated by other retailers and average 15,000 square feet of net selling space. Total grocery sales through supermarkets and grocery departments in The Treasury and JCPenney stores were $267.9 million in 1974, compared with $257.3 million in 1973.

Supermarkets' profit in 1974 was about the same as in the prior year.

Mail order consists of catalog operations serving customers who order merchandise directly by mail. Mail order results in 1974 were adversely affected by decreased gross margin and increased expense ratios.

Total catalog sales, comprising sales by mail order and through catalog sales centers in stores, were $573.2 million in 1974, up 19.7 per cent from $478.8 million in 1973.

Catalog sales centers contributed to divisional sales as follows:

(In millions)	1974	1973	Per cent increase: All units	Per cent increase: Comparative units
JCPenney stores				
Full line	$170.0	$133.8	27.1	18.1
Soft line	288.8	243.1	18.8	16.8
The Treasury stores and drug stores	4.0	.8	397.6	—
Total	$462.8	$377.7	22.6	17.3

The number of catalog sales centers in stores at each year end is shown below:

(Number of units)	1974	1973
JCPenney stores		
Full line	280	259
Soft line	997	968
The Treasury stores and drug stores	31	16
Total	1,308	1,243

Investment in unconsolidated subsidiaries was $349.6 million at year end 1974, compared with $279.2 million at year end 1973. The following tabulation shows a breakdown of the investment, stated at JCPenney's equity in net assets:

(In millions)	January 25 1975	January 26 1974
J. C. Penney Financial Corporation (see page 20)	$269.3	$213.3
Consumer financial services	73.3	63.5
JCP Realty, Inc.	6.5	1.8
Other	.5	.6
Total	$349.6	$279.2

Consumer financial services, which consist of the operations of insurance companies, contributed $9.7 million to net income in 1974, compared with $9.9 million in 1973. Improved results in life and health operations were offset by poorer underwriting results from automobile and homeowner operations.

The two JCPenney insurance companies and Great American Reserve Insurance Company market life and health insurance, and the Educator & Executive companies market principally automobile and homeowner casualty insurance.

At the end of 1974, life insurance in force totaled $2.4 billion. There were approximately 553,000 life and health insurance policyholders, excluding those covered under group plans. Automobile and homeowner policyholders totaled 228,000.

Combined condensed financial statements of the insurance operations, in accordance with generally accepted accounting principles, are as follows:

Statement of Income

(In millions)	1974	1973
Premiums written		
Life and health	$61.9	$55.9
Automobile and homeowner	31.4	25.6
Total	$93.3	$81.5
Underwriting income		
Life and health	$ 3.3	$ 3.0
Automobile and homeowner	(.6)	2.0
Total	2.7	5.0
Investment income		
Life and health	8.1	7.0
Automobile and homeowner	1.4	1.9
Total	9.5	8.9
Income before income taxes	12.2	13.9
Income taxes	2.5	4.0
Net income	$ 9.7	$ 9.9

Balance sheet

(In millions)	December 31 1974	December 31 1973
Assets		
Bonds, at amortized cost (market: $85.2 in 1974 and $86.9 in 1973)	$103.0	$ 89.9
Stocks, at cost (market: $17.8 in 1974 and $20.8 in 1973)	28.7	23.7
Loans	36.1	33.7
Real estate, net	21.0	17.8
Deferred policy acquisition costs	30.0	26.1
Other assets	9.6	7.6
	$228.4	$198.8
Liabilities and Equity		
Policy and claims reserves	$122.0	$108.9
Other liabilities	5.9	5.2
Current and deferred income taxes	11.4	9.7
Due to J. C. Penney Company, Inc.	5.2	—
Mortgage debt	10.6	11.5
Equity of J. C. Penney Company, Inc.	73.3	63.5
	$228.4	$198.8

JCP Realty, Inc. is engaged in the development and operation of shopping centers through participation in joint ventures.

At year end, Realty had joint venture interests in 17 shopping centers, of which four were in operation, nine were under construction, and four were in the planning stage.

Realty recorded a small profit in 1974.

Credit sales in 1974 rose to a record $2.5 billion, up 12.0 per cent from $2.2 billion in 1973. The proportion of credit sales to total sales increased to 39.8 per cent in 1974 from 39.4 per cent in 1973. In computing these percentages, the sales of groceries and European operations are excluded because consumer credit is not offered in connection with those sales.

Approximately 89 per cent of total credit sales was on the regular charge account plan; the balance was principally on the time payment account plan. At year end, the number of accounts with balances was 8.9 million regular accounts and .9 million time payment accounts.

The average account balances and average maturities at year end were as follows:

	Account balances		Maturities (In months)	
	1974	1973	1974	1973
Regular	$140	$134	5.5	5.6
Time payment	270	249	9.1	9.7
All	153	145	6.1	6.1

Account balances in which any portion was three months or more past due represented 3.9 per cent of the amount of customer receivables at year end 1974, compared with 4.2 per cent at year end 1973.

Monthly payments under both plans are based on the account balance, with a minimum monthly payment of not less than $10 for regular accounts and $5 for time payment accounts. Monthly finance charges do not exceed 1½ per cent of account balances, subject to minimum charges in certain circumstances.

The Company's policy is to write off accounts when a scheduled payment has not been received for six consecutive months, or if any portion of the balance is more than 12 months past due, or if it is otherwise determined that the customer is unable to pay. Collection efforts continue subsequent to write off, and recoveries are applied as a reduction of bad debt losses.

The net cost of the retail credit operation increased in 1974, as shown below:

(In millions)	1974	1973
Service charge income	$182.0	$153.1
Costs		
Administration	106.2	88.6
Interest	105.4	77.1
Provision for doubtful accounts	47.7	38.2
Income taxes	(36.6)	(25.0)
	222.7	178.9
Net cost of credit	$ 40.7	$ 25.8
Net cost as per cent of credit sales	1.6%	1.2%

Administration includes the costs of operating credit regional offices and that portion of store costs related directly to credit activities.

Interest is computed by applying the average rate for borrowings of J. C. Penney Financial Corporation to the average total customer accounts receivable after subtracting deferred income taxes applicable to installment sales.

The provision for doubtful accounts consists of net bad debt losses plus the accrual required to maintain the allowance for doubtful accounts at 2 per cent of customer receivables. Net bad debt losses increased in 1974 to $44.6 million, or 1.8 per cent of credit sales, from $34.2 million in 1973, or 1.5 per cent of credit sales.

Income taxes are based upon JCPenney's effective income tax rate.

Class actions have been instituted in a number of states against retailers, in some cases including the Company, seeking substantial recoveries and a reduction of monthly service charges applicable to revolving charge accounts. The ultimate consequences of all the pending actions are not presently determinable but will not in the opinion of management have a material adverse effect on the Company's financial position or results of operations.

Receivables were as follows:

(In millions)	January 25 1975	January 26 1974
Customer receivables		
Regular charge account plan	$1,231.8	$1,126.8
Time payment account plan	255.8	207.8
	1,487.6	1,334.6
Less receivables sold to J. C. Penney Financial Corporation	1,442.5	1,252.8
	45.1	81.8
Due from J. C. Penney Financial Corporation	72.1	62.6
Other receivables	106.7	97.9
	223.9	242.3
Less allowance for doubtful accounts	29.8	26.7
Receivables, net	$ 194.1	$ 215.6

Customer receivables due after one year were approximately $255 million at year end 1974, compared with $212 million at year end 1973.

J. C. Penney Financial Corporation purchased $2.7 billion of customer receivables from JCPenney in 1974, up from $2.3 billion in 1973. Financial withholds, pending collection, an amount equal to 5 per cent of the receivables so acquired. In addition, it charges JCPenney a discount which is calculated to produce earnings that cover fixed charges, chiefly interest on borrowings, at least one and one-half times.

To finance its purchases of receivables, this subsidiary sells its short term notes (commercial paper and master notes) at prime market rates directly to investors, utilizes short term bank borrowings, and from time to time issues long term debt. Average commercial paper and master note borrowings in 1974, net of short term investments, were $944.0 million, compared with $784.8 million in 1973. Interest expense increased sharply as a result of increased borrowings and higher interest rates. Short term rates averaged 9.9 per cent in 1974, compared with 8.2 per cent in 1973. The rate of interest paid on total debt averaged 9.4 per cent, up from the 1973 average of 8.0 per cent.

In October 1974, Financial sold $100 million of 9.45 per cent debentures due 1981 and $75 million of 10.20 per cent sinking fund debentures due 1994.

JCPenney made a capital contribution of $25 million to Financial in 1974.

Following is the comparative condensed balance sheet of J. C. Penney Financial Corporation:

(In millions)	January 25 1975	January 26 1974
Assets		
Customer receivables	$1,442.5	$1,252.8
Other assets	22.4	11.4
	$1,464.9	$1,264.2
Liabilities and Equity		
Notes payable	$ 719.9	$ 759.9
Accrued liabilities	11.7	16.6
Due to J. C. Penney Company, Inc.	72.1	62.6
Long term debt	391.9	211.8
Equity of J. C. Penney Company, Inc.	269.3	213.3
	$1,464.9	$1,264.2

Financial's obligations are not guaranteed by JCPenney. At year end, Financial had confirmed lines of credit with 516 banks totaling $842 million, including $717 million available to either JCPenney or Financial, none of which was in use.

The complete financial statements of J. C. Penney Financial Corporation are contained in its 1974 annual report, which is available upon request.

Interest expense increased to $132.8 million in 1974, from $89.7 million in 1973, due to increased borrowings and higher interest rates. The following table details the principal components of interest expense:

(In millions)	1974	1973
Discount on customer receivables sold to J. C. Penney Financial Corporation	$149.9	$108.8
Interest on advances from J. C. Penney Financial Corporation	21.9	8.4
Interest on long term debt	25.0	17.6
Other interest, net	3.4	.8
	200.2	135.6
Less		
Income of J. C. Penney Financial Corporation before income taxes	59.6	40.6
Capitalized interest on construction in progress and land held for future use	7.8	5.3
	67.4	45.9
Total interest expense	$132.8	$ 89.7

Capitalized interest is computed by applying the average rate for short term borrowings to the average cost of construction in progress and land held for future use. If interest had not been capitalized, net income would have been reduced $3.6 million in 1974 and $2.4 million in 1973.

Merchandise inventories at year end 1974 were $1,221.0 million, substantially all of which were valued at the lower of cost (last-in, first-out) or market, determined by the retail method. If year end inventories had been valued under the prior accounting methods, they would have been $40.4 million higher. Inventories at year end 1973, under the accounting methods then in effect, were $1,138.0 million. The increase in inventories was due principally to the stocking of new units.

Working funds increased $99.6 million during 1974, compared with an increase of $70.4 million in 1973. Working funds consist of current assets less current liabilities, excluding deferred credits, principally tax effects applicable to installment sales. Following is an analysis of changes in working capital and working funds:

(In millions)	1974	1973
Cash	$ 23.2	$(16.2)
Receivables, net	(21.5)	68.6
Due from unconsolidated subsidiaries	11.3	—
Merchandise inventories	83.0	90.9
Properties to be sold under sale and leaseback agreements	13.9	(17.2)
Prepaid expenses	13.8	8.2
Notes payable	(75.0)	—
Accounts payable and accrued liabilities	46.7	(55.6)
Dividend payable	(.9)	(1.0)
Income taxes and deferred credits	(16.3)	(37.5)
Increase in working capital	78.2	40.2
Deferred credits, principally tax effects applicable to installment sales	21.4	30.2
Increase in working funds	$ 99.6	$ 70.4

Properties at year end were as follows:

(In millions)	January 25 1975	January 26 1974
Land	$ 60.2	$ 43.8
Buildings	216.6	174.8
Fixtures and equipment	679.3	609.4
Leasehold improvements	131.0	101.2
Construction in progress and land held for future use	74.2	92.1
	1,161.3	1,021.3
Less accumulated depreciation and amortization	358.1	326.0
Properties, net	$ 803.2	$ 695.3

In 1974, JCPenney sold 14 store properties for $68.0 million and leased them back. These transactions had no effect on net income.

Capital expenditures in 1974 totaled $262.5 million, up from $209.6 million in 1973. Included in this amount were expenditures of $32.1 million to renovate older stores. The following tabulation shows 1974 and 1973 capital expenditures:

(In millions)	1974	1973
Land	$ 16.6	$ 6.3
Buildings	87.3	37.5
Fixtures and equipment	111.0	89.3
Leasehold improvements	27.3	12.5
Construction in progress and land held for future use	20.3	64.0
Total capital expenditures	$262.5	$209.6

Capital expenditures by landlords were approximately $90 million in 1974, compared with $80 million in 1973.

Rent expense for real and personal property increased to $214.5 million in 1974 from $192.7 million in 1973. Minimum annual rents at year end amounted to $136.9 million. The principal difference between rent expense and minimum annual rents is rent based upon sales. Almost all leases will expire during the next 30 years; however, leases are usually either renewed or replaced by leases on other properties.

The Company's commitments under noncapitalized financing leases were $721 million at year end 1974 and $608 million at year end 1973. These commitments are stated at the present value of all future minimum payments under these leases after excluding executory expenses, which are property taxes, maintenance, insurance, and other amounts that do not constitute payments for property rights. Rent expense applicable to noncapitalized financing leases was $78.1 million in 1974 and $72.0 million in 1973. Minimum annual rents under noncapitalized financing leases at year end amounted to $73.2 million including executory expenses. If financing leases (exclusive of executory expenses) had been capitalized and the resultant property rights amortized on a straight line basis over the primary terms of these leases, net income would have been reduced $8.7 million in 1974 and $8.1 million in 1973. These computations are based upon the following:

(In millions)	1974	1973
Amortization of property rights	$24.5	$21.0
Interest on related lease obligations	$52.3	$42.9
Weighted average interest rate	7.9%	7.8%
Interest rate range	4.0-10.0%	4.0-9.4%

Advertising expense for newspapers, television, radio, and other media, excluding catalog preparation and distribution costs, was $156.1 million in 1974, up from $127.3 million in 1973.

Notes payable in the amount of $75 million, bearing interest at prime rate, were outstanding at year end under a $200 million three-year revolving credit agreement, entered into in December 1974. The notes may be prepaid at any time or converted into prepayable term notes, due in four annual installments. The maximum interest rate during the three-year revolving credit period is prime plus ¼ per cent, and the maximum rate during the term period is prime plus ½ per cent. The agreement also provides for a commitment fee of ½ per cent per year of the average unused portion of the revolving credit.

In addition to the commitment fee, JCPenney is required to maintain compensating balances or to pay fees in lieu of such balances. The maximum compensating balance under this arrangement (based upon the collected balance on each bank's books) is 10 per cent of the unused portion of the credit plus an additional 10 per cent on actual borrowings.

At year end, JCPenney also had confirmed lines of credit totaling $747 million, including $717 million available to either JCPenney or Financial, none of which was in use. All unused lines of credit are supported by compensating balances, which are also used to compensate the banks for banking services associated with activity.

JCPenney's long term debt increased in 1974 as a result of the addition of a major debenture issue as shown below:

(In millions)	January 25 1975	January 26 1974
8⅞ per cent sinking fund (commencing 1980) debentures due 1995	$150.0	$150.0
9 per cent sinking fund (commencing 1984) debentures due 1999	150.0	—
4½ per cent Eurodollar subordinated debentures due 1987, convertible at $86	35.0	35.0
5.75 to 9.65 per cent Belgian franc loans due through 1996	15.0	15.3
6 per cent Eurodollar subordinated debentures due 1989, convertible at $54.50	10.8	11.2
Other	5.6	8.5
Total long term debt	$366.4	$220.0

The Belgian franc loans, translated at the rate of exchange in effect on January 25, 1975, would have been $20.6 million.

Stockholders' equity rose to $1,414.8 million at year end 1974 from $1,313.9 million at year end 1973.

The return on stockholders' equity declined to 9.5 per cent in 1974 from 16.1 per cent in 1973.

The following table shows the changes that occurred in outstanding common stock:

	Shares		Amount (In millions)	
	1974	1973	1974	1973
Balance at beginning of year	58,527,405	57,957,343	$320.9	$281.7
Issued upon conversion of 6 per cent debentures	6,686	22,948	.4	1.2
Stock options exercised	43,070	62,807	2.2	2.2
Issued to savings and profit-sharing plan	732,702	428,580	41.4	32.0
Issued under stock bonus plan	—	55,727	—	3.8
Other	3,467	—	.2	—
Balance at end of year	59,313,330	58,527,405	$365.1	$320.9

At year end, 2,121,679 shares of common stock were reserved for issuance under the stock bonus and stock option plans and for conversion of debentures, as compared with 664,919 shares reserved at year end 1973.

The Company's borrowing agreements place restrictions on the cash purchase of capital stock and the payment of cash dividends. As of January 25, 1975, approximately $287 million of reinvested earnings were free of such restrictions.

The number of stockholders increased to approximately 76,000 at 1974 year end from about 75,000 at 1973 year end. At 1974 year end, there were also approximately 70,000 employees owning beneficially 4.3 million shares of common stock through the savings and profit-sharing plan.

JCPenney common stock is traded principally on the New York Stock Exchange. It is also listed on the Brussels and Antwerp Stock Exchanges.

The high and low selling prices on the New York Stock Exchange, by fiscal quarter, were as follows:

	1974		1973	
	High	Low	High	Low
First quarter	$75⅞	$68⅛	$101	$77½
Second quarter	79¼	63	86	72½
Third quarter	66¼	35	86¾	74
Fourth quarter	48¾	35	83	58½

Retirement plans. Retirement expense was as follows:

(In millions)	1974	1973
Pension	$18.4	$17.8
Savings and profit-sharing	11.6	15.2
Total	$30.0	$33.0

JCPenney's principal pension plan is noncontributory and covers substantially all United States full-time employees who have completed 30 months of continuous service. Current pension costs are funded annually as incurred, and at year end 1974 all vested benefits were fully funded, based upon market valuation of investments.

During 1974, JCPenney increased certain benefits payable to retired employees through a pension supplement, which added $2.1 million to pension costs in 1974.

The unfunded past service liability for pension plans at year end was $38.8 million, of which $15.2 million is attributable to the new pension supplement.

The savings and profit-sharing plan encourages savings by allocating 4½ per cent of the Company's available profits, as defined in the plan, to participants who save under the plan.

JCPenney will amend its retirement plans to comply with the provisions of the Employee Retirement Income Security Act of 1974. These amendments and related changes under consideration are presently expected to add about $5 million to retirement expense annually, beginning in 1976. No significant changes in the Company's funding or vesting policies are required under the Act.

Condensed financial statements of the combined retirement plans are as follows:

Balance sheet

(In millions)	December 31 1974	December 31 1973
Assets		
JCPenney common stock at market value: 4,277,516 shares in 1974; 3,832,358 shares in 1973 (cost: $223.5 in 1974 and $190.9 in 1973)	$153.5	$275.0
Funds with insurance companies	109.3	119.8
Other investments at market value (cost: $80.8 in 1974 and $77.7 in 1973)	61.5	76.2
Other assets, net	26.7	31.4
	$351.0	$502.4
Liabilities and Equity		
Refunds due to participants	$ —	$ 15.1
Reserved for pensions:		
Retired participants	10.1	6.1
Active participants	53.9	58.8
Participants' equity in savings and profit-sharing plan	287.0	422.4
	$351.0	$502.4

Statement of changes in retirement plans assets

(In millions)	1974	1973
Total assets at January 1	$502.4	$580.0
Company contributions	27.6	33.1
Participants' contributions	35.8	33.5
Dividends, interest, and other income	13.3	12.2
Market depreciation of investments	(165.9)	(90.9)
Participants' contributions refunded	(12.7)	(13.1)
Benefits paid	(49.5)	(52.4)
Total assets at December 31	$351.0	$502.4

Stock bonus plan. A new stock bonus plan, effective January 27, 1974, was approved by stockholders. Awards are available to be earned during one or more of the three fiscal years beginning with 1974, based upon the rate of increase in earnings as defined in the plan. None of the 407,000 shares of common stock reserved for issuance was earned in 1974 under this plan. In 1973, 59,233 shares were earned under the previous plan, which expired at the end of that year.

Stock options. On May 21, 1974, the stockholders approved a new stock option plan for up to 1.1 million shares of common stock. Under the terms of the plan, either five-year qualified or ten-year nonqualified options may be granted. All options become exercisable one year from the date of grant.

Transactions in stock options were as follows:

	1974		1973	
	Shares	Option price	Shares	Option price
Balance at beginning of year	52,584	$24.02-53.25	116,225	$22.59-53.25
Granted	134,560	70.44	—	—
Exercised	(43,070)	24.02-53.25	(62,807)	22.59-53.25
Expired	(6,058)	24.02-70.44	(834)	23.70-27.03
Balance at end of year	138,016	$24.02-70.44	52,584	$24.02-53.25

Employment at year end totaled approximately 193,000, of whom 183,661 were employed in the continental United States. Summaries based upon the Company's consolidated Employer Information Reports EEO-1 for 1974 and 1973 year end to the United States Equal Employment Opportunity Commission are shown below:

	1974		
Category	Total	Female	Minority
Officials, managers, and professionals	24,625	8,608	1,506
Sales workers	83,282	68,309	6,334
Office and clerical workers	45,141	39,822	4,867
Technicians, craftsmen, and operatives	14,405	7,103	1,927
Laborers and service workers	16,208	6,114	2,867
Total	183,661	129,956	17,501

	1973		
Category	Total	Female	Minority
Officials, managers, and professionals	23,210	7,547	1,244
Sales workers	89,795	73,850	6,637
Office and clerical workers	46,162	39,882	5,129
Technicians, craftsmen, and operatives	14,675	6,467	2,288
Laborers and service workers	16,090	5,975	3,076
Total	189,932	133,721	18,374

Included among the officials, managers, and professionals in 1974 were 2,571 management trainees, of whom 887 were female and 343 were minority. The comparable figures for 1973 were 2,866 management trainees, of whom 842 were female and 298 were minority.

The Company's Form 10-K annual report for 1974 to the Securities and Exchange Commission and the Company's consolidated Employer Information Reports EEO-1 for 1974 year end will be made available upon request.

Statement of Income
Statement of Reinvested Earnings

Statement of Income	52 weeks ended January 25, 1975	52 weeks ended January 26, 1974
Sales	$6,935,710,183	$6,243,677,392
Costs and expenses		
Cost of goods sold, occupancy, buying, and warehousing costs	5,050,711,331	4,459,473,376
Selling, general, and administrative expenses	1,533,842,215	1,348,497,753
Interest, after deduction of income of J. C. Penney Financial Corporation before income taxes	132,782,035	89,672,721
Total costs and expenses	6,717,335,581	5,897,643,850
Income before income taxes and other unconsolidated subsidiaries	218,374,602	346,033,542
Income taxes	103,200,000	170,275,000
Income before other unconsolidated subsidiaries	115,174,602	175,758,542
Net income of other unconsolidated subsidiaries	9,891,975	10,010,904
Net income	$ 125,066,577	$ 185,769,446
Per share of common stock		
Primary	$2.12	$3.19
Fully diluted	2.12	3.18

Statement of Reinvested Earnings		
Reinvested earnings at beginning of year	$ 993,016,266	$ 871,795,772
Net income for the year	125,066,577	185,769,446
Dividends	(68,378,651)	(64,548,952)
Reinvested earnings at end of year	$1,049,704,192	$ 993,016,266

See 1974 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27.

Balance Sheet

J. C. Penney Company, Inc.
and Consolidated Subsidiaries

Assets	January 25, 1975	January 26, 1974
Current assets		
Cash	$ 52,019,685	$ 28,786,680
Receivables, net	194,060,484	215,561,154
Due from unconsolidated subsidiaries	11,308,425	—
Merchandise inventories	1,220,987,205	1,137,973,715
Properties to be sold under sale and leaseback agreements	36,085,393	22,148,791
Prepaid expenses	60,882,186	47,090,759
Total current assets	1,575,343,378	1,451,561,099
Investment in unconsolidated subsidiaries	349,586,382	279,230,498
Properties, net	803,208,501	695,256,078
Other assets	17,037,655	13,484,331
	$2,745,175,916	$2,439,532,006

Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	$ 75,000,000	$ —
Accounts payable and accrued liabilities	556,095,958	602,746,104
Dividend payable	17,261,831	16,335,350
Income taxes	24,328,977	29,374,670
Deferred credits, principally tax effects applicable to installment sales	226,600,000	205,200,000
Total current liabilities	899,286,766	853,656,124
Long term debt	366,392,900	219,970,249
Deferred credits, principally tax effects applicable to depreciation	64,700,000	52,000,000
Stockholders' equity		
Preferred stock without par value: Authorized, 5,000,000 shares— issued, none		
Common stock, par value 50¢: Authorized, 75,000,000 shares— issued, 59,313,330 shares	365,092,058	320,889,367
Reinvested earnings	1,049,704,192	993,016,266
Total stockholders' equity	1,414,796,250	1,313,905,633
	$2,745,175,916	$2,439,532,006

See 1974 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27.

Statement of Changes in Financial Position

J. C. Penney Company, Inc.
and Consolidated Subsidiaries

(In millions)	52 weeks ended January 25, 1975	52 weeks ended January 26, 1974
Funds were generated from:		
Operations		
Net income	$125.1	$185.8
Undistributed net income of unconsolidated subsidiaries	(40.9)	(31.1)
Depreciation and amortization	70.9	61.0
Deferred credits, principally tax effects applicable to depreciation	12.7	12.8
Stock issued to savings and profit-sharing plan	10.6	14.1
Stock issued under stock bonus plan	—	3.8
Total	178.4	246.4
External sources		
Properties sold and leased back	71.0	72.4
Changes in properties to be sold under sale and leaseback agreements and other disposals	12.7	(15.0)
Increase in long term debt	150.0	4.3
Stock issued to savings and profit-sharing plan—employee purchases	30.8	17.9
Stock options exercised	2.2	2.2
Stock issued principally upon conversion of debentures	.6	1.2
Total	267.3	83.0
Total funds generated	445.7	329.4
Funds were used for:		
Dividends	68.4	64.5
Capital expenditures	262.5	209.6
Retirement of long term debt	3.6	1.3
Investment in unconsolidated subsidiaries	29.5	11.4
Change in other assets	3.5	2.4
Total funds used	367.5	289.2
Increase in working capital	78.2	40.2
Increase in other deferred credits, principally tax effects applicable to installment sales	21.4	30.2
Increase in working funds	$ 99.6	$ 70.4

See 1974 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27.

Accountants' Report

To the Stockholders and Board of Directors of J. C. Penney Company, Inc.

We have examined the balance sheet of J. C. Penney Company, Inc. and consolidated subsidiaries as of January 25, 1975 and January 26, 1974, and the related statements of income, reinvested earnings and changes in financial position for the 52 week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of J. C. Penney Company, Inc. and consolidated subsidiaries at January 25, 1975 and January 26, 1974, and the results of their operations and changes in their financial position for the 52 week periods then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method of valuing inventories as described in the 1974 Review of Operations and Financial Information under the captions "Net income" and "Merchandise inventories," have been applied on a consistent basis. Also, in our opinion, the accompanying statistical data on pages 28, 29, 30, and 31 present fairly the information shown therein.

345 Park Avenue
New York, N.Y.
March 19, 1975

Peat, Marwick, Mitchell & Co.

Summary of Accounting Policies

The accounting policies employed by JCPenney are consistent with generally accepted accounting principles. In those instances in which more than one generally accepted accounting principle can be applied, the Company has adopted the accounting principle that it believes most accurately and fairly reflects the situation, as described in the following paragraphs.

Definition of Fiscal Year. JCPenney's fiscal year ends on the last Saturday in January. Fiscal year 1974 ended January 25, 1975; fiscal year 1973 ended January 26, 1974. Each year comprised 52 weeks.

The accounts of several subsidiaries, including the insurance companies, are on the calendar year basis.

Basis of Consolidation. The financial statements present on a consolidated basis the results of all domestic and European merchandising operations. Not consolidated are J. C. Penney Financial Corporation, the insurance companies, JCP Realty, Inc., and several small nonretail subsidiaries.

The income before income taxes of J. C. Penney Financial Corporation is included in the statement of income as a reduction of interest expense. The combined income of all other unconsolidated subsidiaries is included as a single item in the statement of income.

Sales. Sales include merchandise and services, net of returns, and exclude value added and sales taxes. Layaway sales are recorded upon receipt of the initial deposit.

Sales are attributed to the operating division that makes the sale to the customer.

Accounts Receivable. Service charge income arising from customer accounts receivable is treated as a reduction of selling, general, and administrative expenses in the statement of income.

The allowance for doubtful accounts represents 2 per cent of customer accounts receivable at year end.

Merchandise Inventories. For 1974, substantially all merchandise inventories are valued at the lower of cost (last-in, first-out) or market, determined by the retail method.

Prior to 1974, merchandise inventories in stores were stated at the lower of cost (first-in, first-out) or market, determined by the retail method. Other merchandise inventories in warehouses or with manufacturers were stated at the lower of cost (first-in, first-out) or replacement market.

Properties. Interest and certain other carrying costs on construction in progress and land held for future use are capitalized in order to reflect the complete cost of properties. Maintenance and repairs are charged to current operations as incurred, and improvements are capitalized.

Depreciation. The cost of buildings and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. The principal annual rates used in computing depreciation are 3 per cent for store buildings, 2½ per cent to 4 per cent for warehouse buildings, and 10 per cent for fixtures and equipment. Improvements to leased premises are amortized on a straight line basis over the term of the lease or the useful life of the improvement, whichever is shorter.

Income Taxes. JCPenney uses the "flow through" method whereby income taxes are reduced currently for the amounts of investment credits.

Foreign Exchange Transactions. All foreign currency accounts are translated to U.S. dollars at exchange rates in effect at each year end for current assets and liabilities, at historical exchange rates for depreciation and noncurrent assets and liabilities, and at average exchange rates during the year for income and expense. Gains and losses are credited or charged to operations as incurred.

Deferred Charges. Expenses associated with the opening of new stores are written off in the year of store opening, except for those of stores opened in January, which are written off in the following fiscal year. Catalog preparation and printing costs are written off over the estimated productive lives of the catalogs, not exceeding six months.

Pension Cost. The cost of pension benefits has been determined by the entry age normal method. Past service liabilities are amortized over a period not exceeding 30 years.

Ten Year Financial Summary

	1974	1973	1972	1971	1970
Results for year (In millions)					
Sales	$6,935.7	6,243.7	5,529.6	4,812.2	4,354.[illegible]
Per cent increase from prior year	11.1	12.9	14.9	10.5	11.[illegible]
Credit sales as per cent of sales	39.8	39.4	38.7	36.8	36.[illegible]
Costs and expenses excluding interest and depreciation	$6,513.6	5,747.0	5,106.1	4,447.6	4,031.[illegible]
Interest	$ 132.8	89.7	59.8	53.5	64.[illegible]
Depreciation	$ 70.9	61.0	52.5	45.5	38.[illegible]
Income before income taxes and other unconsolidated subsidiaries	$ 218.4	346.0	311.2	265.6	219.[illegible]
Per cent of sales	3.1	5.5	5.6	5.5	5.[illegible]
Income taxes	$ 103.2	170.3	155.3	134.3	110.[illegible]
Net income	$ 125.1	185.8	166.1	137.8	115.[illegible]
Per cent increase (decrease) from prior year	(32.7)	11.8	20.5	19.7	[illegible]
Per cent of sales	1.8	3.0	3.0	2.9	2.[illegible]
Per cent of stockholders' equity	9.5	16.1	16.6	18.1	16.[illegible]
Dividends	$ 68.4	64.5	59.6	55.4	52.[illegible]
Increase in reinvested earnings	$ 56.7	121.2	106.5	82.4	62.[illegible]
Capital expenditures	$ 262.5	209.6	185.5	237.2	213.[illegible]
Per share results					
Net income—primary	$ 2.12	3.19	2.88	2.46	2.1[illegible]
—fully diluted	$ 2.12	3.18	2.87	2.43	2.0[illegible]
Dividends	$ 1.16	1.11	1.05	1.01	1.0[illegible]
Stockholders' equity	$ 23.85	22.45	19.90	17.50	14.0[illegible]
Common stock price range (New York Stock Exchange)					
High	$ 79¼	101	98½	77½	61 5/[illegible]
Low	$ 35	58½	67⅞	60½	37 3/[illegible]
Price-earnings ratio					
High	25	35	37	33	30
Low	11	19	29	28	18
Financial position at year end (In millions)					
Assets	$2,745.2	2,439.5	2,169.2	1,936.0	1,718.[illegible]
Working funds	$ 902.7	803.1	732.7	554.7	492.[illegible]
Customer receivables					
J. C. Penney Financial Corporation, net of 5 per cent withheld	$1,370.4	1,190.2	1,043.3	824.9	758.[illegible]
J. C. Penney Company, Inc., net	$ 87.4	117.7	67.7	46.5	29.[illegible]
Merchandise inventories	$1,221.0	1,138.0	1,047.1	879.4	789.[illegible]
Long term debt	$ 366.4	220.0	216.9	210.1	326.[illegible]
Stockholders' equity					
Beginning of year	$1,313.9	1,153.5	1,001.8	759.8	686.[illegible]
Conversion of debentures	$ .4	1.2	14.9	132.3	—
Stock options exercised	$ 2.2	2.2	4.4	4.4	2.[illegible]
Stock issued to employee benefit plans	$ 41.4	35.8	25.7	19.3	8.[illegible]
Other	$ .2	—	.2	3.6	—
Increase in reinvested earnings	$ 56.7	121.2	106.5	82.4	62.[illegible]
End of year	$1,414.8	1,313.9	1,153.5	1,001.8	759.[illegible]
Stockholders and employees					
Number of stockholders at year end	76,000	75,000	74,000	71,000	69,00[illegible]
Average number of shares outstanding (millions)	58.9	58.1	57.6	55.7	53.[illegible]
Number of employees at year end	193,000	200,000	175,000	162,000	152,00[illegible]

Management's Discussion of Recent Results

1969	1968	1967	1966	1965
3,912.7	3,379.2	2,927.0	2,702.8	2,407.9
15.8	15.5	8.3	12.2	11.7
37.4	35.5	35.4	33.2	31.4
3,595.2	3,082.5	2,698.7	2,501.1	2,224.9
51.3	30.6	23.8	21.2	10.8
34.9	28.8	27.0	24.0	20.1
231.3	237.3	177.5	156.5	152.1
5.9	7.0	6.1	5.8	6.3
120.8	127.0	84.9	74.9	71.6
114.7	111.8	94.7	82.6	80.9
2.6	18.1	14.6	2.1	16.8
2.9	3.3	3.2	3.1	3.4
18.7	20.6	19.2	18.2	19.5
52.6	46.5	45.8	43.8	43.5
62.1	65.4	48.9	38.8	37.4
175.8	127.7	111.0	71.4	46.4
2.14	2.10	1.78	1.55	1.55
2.08	2.06	1.78	1.55	1.55
1.00	.90	.90	.86	.86
12.75	11.47	10.19	9.26	8.53
57⅛	51	35⅜	32⅞	39¾
44	27¾	28⅝	24⅜	30½
27	25	22	20	29
21	17	17	16	20
1.478.8	1,210.6	956.9	849.6	747.2
407.7	422.1	277.0	297.3	295.7
674.8	532.5	483.2	439.9	298.7
25.7	56.7	13.8	12.7	63.0
717.3	616.5	487.0	491.0	396.8
171.6	125.0	—	—	—
614.2	543.7	492.6	453.7	416.0
—	—	—	—	—
2.2	3.0	.1	—	—
—	—	—	—	—
7.7	2.1	2.1	.1	.3
62.1	65.4	48.9	38.8	37.4
686.2	614.2	543.7	492.6	453.7
67,000	62,000	58,000	58,000	58,000
53.6	53.3	53.2	53.2	53.2
137,000	119,000	104,000	102,000	88,000

Results of recent years were strongly influenced by the effects of price controls, inflation, sharp fluctuations in the availability of merchandise, recession, and high interest rates.

Net income in 1973 increased 11.8 per cent from the 1972 level, primarily as a result of higher sales. The increase in sales, which was due in part to the generally favorable retail climate, helped offset the effect of higher interest expense. Interest expense in 1973 increased to $89.7 million from the prior year level of $59.8 million due largely to higher short term rates, which averaged 8.2 per cent in 1973, compared with 4.5 per cent in the prior year.

Gross margin declined slightly in 1973 from the prior year, chiefly as a result of the effects of price controls. Aided by the effects of higher sales, selling, general, and administrative expenses decreased to 21.6 per cent of sales from 21.9 per cent in 1972.

Near the end of 1973 the Company began to experience difficulties in obtaining needed quantities of merchandise. This situation eased substantially in the first half of 1974, but the change in merchandise availability coupled with rapidly rising prices greatly complicated the job of inventory management. As a result, inventories in 1974 rose above optimum levels.

Sales advanced 13.1 per cent in the first three quarters of 1974, aided substantially by the effect of inflation In the fourth quarter, however, the rate of sales gain dropped to 6.8 per cent. The slowdown, caused by rising unemployment, a loss of consumer confidence, and an erosion in disposable personal income, compounded the already difficult inventory problem. This combination of factors, prevalent throughout most of retailing, created intense price competition resulting in heavy markdowns, which contributed to a significant decline in gross profit margin.

Net income in 1974 declined 32.7 per cent from the 1973 level. Contributing to this result, in addition to the erosion in sales and gross profit margin, were increased operating expense ratios, caused chiefly by inflation, and interest expense, which increased 48 per cent. The increase in interest expense was due to higher borrowing levels as well as higher short term interest rates. The effective tax rate on income declined to 47.3 per cent in 1974, from the prior year's 49.2 per cent, principally as a result of higher investment credits.

In 1974, the Company adopted the last-in, first-out method of inventory valuation for substantially all domestic inventories. The change in accounting reduced net income by $21.0 million, or 36 cents per share.

For additional discussion and analysis of 1974 compared with 1973, including the results of each operating division, see To Our Stockholders on pages 2 to 4 and the 1974 Review of Operations and Financial Information on pages 17 to 23.

Ten Year Operations Summary

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
JCPenney stores—full line										
Number of stores	354	334	308	270	240	208	176	141	108	82
Net selling space (million sq. ft.)	31.2	29.2	26.6	22.8	19.4	16.5	13.7	10.4	7.4	5.4
Sales (millions)	$3,569.8	3,111.2	2,566.8	1,993.9	1,628.1	1,327.0	1,002.0	661.2	477.7	296.5
Sales per square foot	$ 119.56	112 95	103.90	95.59	92.97	90.76	85.53	79.13	78.86	68.64
JCPenney stores—soft line										
Number of stores	1,289	1,302	1,335	1,370	1,407	1,438	1,476	1,517	1,548	1,582
Net selling space (million sq. ft.)	15.6	15.9	16.9	17.5	18.1	18.4	19.0	19.4	19.5	19.6
Sales (millions)	$2,150.4	2,067.2	2,084.9	2,079.0	2,119.3	2,156.1	2,105.7	2,050.7	2,042.4	1,964.6
Sales per square foot	$ 135.97	124.98	121.32	118.15	115.75	115.22	110.10	105.51	105.03	101.21
Catalog										
Number of sales centers	1,308	1,243	1,131	1,079	1,019	944	660	637	565	458
Number of distribution centers	3	2	2	2	2	2	1	1	1	1
Distribution space (million sq. ft.)	6.1	4.1	4.1	4.1	4.1	4.1	2.0	2.0	2.0	1.3
Sales—mail order (millions)	$ 110.4	101.1	89.0	76.9	70.9	61.9	57.7	52.5	40.8	32.7
The Treasury stores										
Number of stores	31	25	23	19	13	10	10	6	5	5
Net selling space (million sq. ft.)	3.7	3.0	2.8	2.3	1.5	1.2	1.2	.7	.5	.5
Sales (millions)	$ 385.0	349.9	284.5	242.3	146.2	127.5	85.3	54.1	48.9	42.7
Sales per square foot	$ 118.31	118 92	117.02	122.02	113.15	107.96	96.83	97.53	92.27	80.54
Drug stores										
Number of stores	255	239	216	205	189	171	157	148	138	131
Net selling space (million sq. ft.)	1.7	1.5	1.3	1.2	1.0	.9	.8	.7	.7	.6
Sales (millions)	$ 191.0	154.9	132.5	112.2	98.0	83.5	71.9	62.8	55.2	46.0
Sales per square foot	$ 121.19	116.64	110.17	111.02	111.84	102.90	94.55	87.61	86.39	79.70
Supermarkets										
Number of supermarkets	24	24	23	22	23	20	17	16	13	11
Net selling space (million sq. ft.)	.4	.4	.3	.3	.3	.3	.2	.2	.2	.1
Sales (millions)	$ 116.4	110.9	100.2	96.6	88.4	72.4	56.6	45.7	37.8	25.4
Sales per square foot	$ 322.06	325.40	336.85	320.05	294.98	298 68	259.70	255.27	261.24	176.57
European operations										
Number of stores	86	89	92	89	92	95				
Net selling space (million sq. ft.)	1.9	1.8	1.7	1.3	1.2	1.2				
Sales (millions)	$ 412.7	348.5	271.7	211.3	203.8	84.2*				
Sales per square foot	$ 140.10	129.22	124.31	118.39	119.11	49.26*				

Catalog merchandise sold through stores is included in the sales of those stores. Drug and grocery sales through JCPenney and Treasury stores are included in the sales of the latter divisions. Food sales by European operations are included in that division's sales. The statistics shown above for drug stores and supermarkets are exclusive of their operations in JCPenney and Treasury stores.

One full line store was reclassified as a soft line store in 1974.

Sales per square foot include only those stores in operation for the full year.

*Reflects sales of Sarma, S A. from July 31, 1969, date of purchase.

Store Space Opened in Fiscal 1974

Date opened	City, state, shopping center	Gross square feet of store space (in thousands)
JCPenney stores		
Feb. 13	Oklahoma City, Oklahoma (Crossroads Mall)	213
Feb. 27	*Weslaco, Texas	14
Mar. 6	Wayne, New Jersey (West Belt Mall)	280
Mar. 20	Stockton, California (Weberston Shopping Center)	209
Apr. 17	*Dothan, Alabama (Porter Square Shopping Center)	102
May 1	*Arlington, Virginia (Parkington Shopping Center)	36
May 1	San Antonio, Texas (South Park Mall)	175
July 10	*Austin, Minnesota	8
Aug. 7	Brattleboro, Vermont (Fairfield Plaza)	51
Aug. 7	Greensboro, North Carolina (Four Seasons Shopping Center)	245
Aug. 28	Pensacola, Florida (University Mall)	177
Sept. 3	Farmington, Connecticut (West Farms Mall)	200
Sept. 9	*Trenton, Missouri (East Gate Shopping Center)	7
Sept. 18	Merrillville, Indiana (South Lake Mall)	175
Sept. 19	*Mobile, Alabama (Bel Air Shopping Center)	213
Sept. 25	*Monroe, Michigan (Monroe Shopping Center)	69
Oct. 2	Camillus, New York (Camillus Plaza)	75
Oct. 2	*Lafayette, Indiana (Tippecanoe Mall)	150
Oct. 16	Hagerstown, Maryland (Hagerstown Mall)	171
Oct. 30	North Tampa, Florida (University Square Shopping Center)	183
Oct. 30	*Wichita Falls, Texas (Sikes Center)	145
Nov. 13	El Paso, Texas (Cielo Vista Mall)	175
Jan. 2	*Sioux City, Iowa	173
Jan. 8	Carson, California (Carson Mall)	217
Jan. 22	*De Witt, New York (Shoppingtown Center)	153
Jan. 22	*Wichita, Kansas (Towne East Square)	222
Jan. 22	Minnetonka, Minnesota (Ridgedale Shopping Center)	181
The Treasury stores		
Mar. 6	Oak Lawn, Illinois	190
Mar. 6	Niles, Illinois	204
Mar. 6	Rolling Meadows, Illinois	190
Jan. 22	Mesquite, Texas	179
Jan. 22	Farmers Branch, Texas	180
Jan. 22	Dallas, Texas	176
European operations		
Mar. 6	Ans, Belgium	133
Drug stores (18 stores opened)		256
Supermarkets (2 stores opened)		50
Expansions and other additions		72
Gross store space opened		5,649
Less store space closed (28 units)		683
Increased gross square feet		4,966
Increased square feet of net selling space		2,768

*Relocation of existing store.

J. C. Penney Company, Inc.

Directors

Louis I. Avner
President,
Thrift Drug Company

Kenneth S. Axelson
Senior Vice President

William M. Batten
Retired,
Formerly Chairman of the Board,
J. C. Penney Company, Inc

William M. Ellinghaus*
President,
New York Telephone Company

Baldwin L. Humm
Senior Vice President

Jack B. Jackson
President

Ray H. Jordan*
Retired,
Formerly President,
J. C. Penney Company, Inc

Vernon E. Jordan, Jr.*
Executive Director,
National Urban League
(community service organization)

Juanita M. Kreps*
Vice President,
Duke University

Gavin K. MacBain
Chairman of the Board,
Bristol-Myers Company
(pharmaceuticals and toiletries)

Walter J. Neppl
Executive Vice President

Donald V. Seibert
Chairman of the Board

Charles T. Stewart
Senior Vice President

George S. Stewart
Senior Vice President

Cecil L. Wright*
Retired,
Formerly President,
J. C. Penney Company, Inc.

Walter B. Wriston*
Chairman,
Citicorp and First National City Bank
(commercial banking and financial services)

Officers

Donald V. Seibert
Chairman of the Board

Jack B. Jackson
President

Walter J. Neppl
Executive Vice President

*Member of the Audit Committee of the Board of Directors

Senior Vice Presidents

Kenneth S. Axelson
Director of Finance and Administration

Baldwin L. Humm
Director of Merchandise

Charles T. Stewart
General Counsel and Director of Public Affairs

George S. Stewart
Director of Corporate Facilities and Services

Vice Presidents

Robert L. Adair
Controller

Robert Capone
Director of Systems and Data Processing

Andrew Cumming
Director of Personnel

Albert W. Driver, Jr.
Secretary

Howard M. Evans
Director of Marketing—JCPenney Stores

Paul A. Feaman
Director of Distribution

Robert B. Gill
Director of Merchandise Operations

Ralph B. Henderson
Director of Catalog Operations

Wallis G. Hocker
General Credit Manager

Galen R. Hogenson
General Merchandise Manager

Arthur Jacobsen
Director of Consumer Financial Services

Paul R. Kaltinick
Treasurer

Benjamin J. McKinney
Director of Store and Facilities Planning

David F. Miller
Director of Regional Coordination

Lee S. Moore
Managing Director, Sarma-Penney Ltd.

Foster E. Sears
Director of Real Estate

George M. Stone
Director of Government Relations

Regional Vice Presidents

Oscar J. Hunter
Eastern Regional Manager

William A. Perry
Central Regional Manager

Stanley J. Putman
Southeastern Regional Manager

Marvin L. Tanner
Southwestern Regional Manager

Robert R. Van Kleek
Western Regional Manager

Divisional Vice Presidents

Clifford D. Anderson
Director of Public Relations

Charles L. Brown
Director of Auditing

Robert D. Hagerman
Director of The Treasury Stores

William R. Howell
Director of Domestic Development

Thomas J. Lyons
Director of International Development

N. Robert Maines
Director of Planning and Research

J. Alan Ofner
Director of Organization Development

Eugene F. Rowan
Director of Urban Affairs

Satenig S. St. Marie
Director of Consumer Affairs

Assistant Controller

John F. Wood

Assistant Secretaries

Archibald E. King, Jr.
J. David Silvers
Elting H. Smith

Assistant Treasurers

John B. Hebard
Paull F. Hubbard
E. Harlin Smith

Transfer Agents

Chemical Bank
770 Broadway
New York, New York 10003

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60690

Registrars

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60690

Exchange Listings

New York Stock Exchange
Brussels and Antwerp Stock Exchanges

J. C. Penney Company, Inc.
1301 Avenue of the Americas
New York, New York 10019